Management's Discussion and Analysis of Financial Condition and Results of Operations

Fiscal 2013 – Third Quarter
for the nine months ended January 31, 2013

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Overview

The following discussion and analysis by management (MD&A) is a review of the financial condition and results of operations of Critical Outcome Technologies Inc. (COTI or the Company) for the quarter and nine months ended January 31, 2013, and has been prepared with all information available up to and including March 27, 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.

The unaudited condensed interim financial statements (interim financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting, and with International Financial Reporting Standards (IFRS).

All dollar amounts are expressed in Canadian dollars. Historic quarterly interim reports, the Company's Annual Information Form (AIF) and annual audited financial statements as well as 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 • Plans for further testing of COTI-2 leading to an investigational new drug (IND) filing with the United States Food and Drug Administration (FDA) and readiness for a Phase 1 clinical trial • Plans for future application of the CHEMSAS® technology on a collaboration basis • The Company's commercialization strategy for collaborations
Liquidity and Capital Resources	• Expectations of future expenditures on patents and computer software • Plans to seek additional capital resources for operations • Plans for continued research and development spending and additional financing
Financial and Operational Progress & Outlook	• Scientific experiments for COTI-2 progressing to optimize the licensing value of the drug candidate to IND ready status • Collaboration projects ongoing with Western University, Delmar Chemicals Inc. and a multinational pharmaceutical company
Industry and Economic Factors Affecting Performance	• The expected continuation of losses until a licensing transaction is secured • Plans to negotiate future licensing agreements • Plans to raise additional financing through different venues and mechanisms available to the Company
Changes in Accounting Policies including Initial Adoption	• The adoption of a new accounting policy related to Joint Arrangements in the quarter and in the prior quarter related to new joint arrangements • The adoption of new accounting standards issued by the Accounting Standards Board to occur in fiscal 2014

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 over the long term
- An ability to further enhance and add features to the CHEMSAS® technology to incorporate advances in the state-of-the-art 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 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 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 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 potential new drug candidates at the discovery stage of preclinical drug development and thereby 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 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, adult 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 compounds viability as a clinical drug candidate and the underlying CHEMSAS® technology used to discover it. In this regard, COTI is focused on preparing for an IND clinical trial submission based on the positive preclinical test results achieved for COTI-2 against a number of cancer indications. Current testing initiatives and planning would enable an IND filing in calendar 2013. 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 the last four months of 2012; one with a University, one with a private chemical synthesis company and one with a multinational pharmaceutical company.

Financial Review of Operations

Revenues

Operating:

Service fee revenue of $10,577 was recognized in the quarter ended January 31, 2013 (Q3-F'13) compared to no operating revenue in the quarter ended January 31, 2012 (Q3-F'12) and $25,000 for the nine months ended January 31, 2013 (YTD–F'13) compared to no operating revenues for the nine months ended January 31, 2012 (YTD-F'12). This revenue related to a collaboration agreement the Company entered into on July 16, 2012 wherein it was eligible to receive an upfront payment of $25,000 as a fee for the identification of lead candidates under the agreement as discussed more fully under Collaborations and Co-development Projects below. This revenue was recognized on a percentage of completion basis over a period of six months based upon management's estimate of the length of time necessary for the Company to complete the two-stage identification process of the lead candidates as set out in the agreement.

Non-operating:

Investment tax credit (ITC) income of $32,214 was recognized in Q3-F'13 compared to $33,669 in Q3-F'12, related to scientific research and development tax credits earned on eligible expenditures in the respective quarters.

The Company earned $463 in interest income on its cash and cash equivalents in Q3-F'13 compared to $1,996 in Q3-F'12.

Operating Expenses

Operating expenses increased from $624,652 in Q3-F'12 to $707,551 in Q3-F'13, an increase of $82,899. Two major functional expense areas accounted for this comparable quarterly increase:

- research and product development (R&D) expenses increased by $37,643 from $163,640 in Q3-F'12 to $201,283 in Q3-F'13; and,
- sales and marketing (S&M) expenses increased by $45,874 from $58,966 in Q3-F'12 to $104,840 in Q3-F'13.

Quarterly R&D expenditures increased year over year due to increases *in vivo* and *in vitro* testing for COTI-2, labour costs and professional fees. Table 2 provides a breakdown of R&D costs by major expense types for the comparable three and nine month fiscal periods ended January 31.

Table 2: R&D Expenses – Comparative Periods Ended January 31

	Q3-F'13	Q3-F'12	Change
R&D testing, consulting and materials	$ 66,899	$ 52,010	$ 14,889
Synthesis	3,824	23,137	(19,313)
	70,723	75,147	(4,424)
Labour including benefits	95,482	79,763	15,719
Professional fees	25,945	-	25,945
Other	9,133	8,730	403
	201,283	163,640	37,643
Share-based compensation	-	-	-
Total	$ 201,283	$ 163,640	$ 37,643

	YTD-F'13	YTD-F'12	Change
R&D testing, consulting and materials	$ 349,234	$ 115,728	$ 233,506
Synthesis	8,696	112,889	(104,193)
	357,930	228,617	129,313
Labour including benefits	265,353	239,430	25,923
Professional fees	59,657	-	59,657
Other	24,925	21,542	3,383
	707,865	489,589	218,276
Share-based compensation	-	6,126	(6,126)
Total	$ 707,865	$ 495,715	$ 212,150

R&D testing, consulting and materials increased $14,889 for Q3-F'13 compared to Q3-F'12 due to increased *in vitro* and *in vivo* testing of the Company's lead oncology asset, COTI-2. A decrease in synthesis costs of $19,313 offset this increase as Q3-F'12 costs included expenses associated with determining an optimum oral formulation for COTI-2 that were not incurred in Q3-F'13.

The $15,719 increase in R&D labour costs year over year related to the allocation of the Chief Scientific Officer's salary costs between two functional expense areas; G&A and R&D. The allocation is based on time commitments to activities in these two areas. There were no changes in R&D staff levels during the comparable periods.

Professional fees during the quarter related to consultants' costs supporting the COTI-2 mechanism of action and other test results for $16,668 ($38,574 – YTD-F'13) and to the Company's proprietary CHEMSAS® process for $9,277 ($21,083 – YTD-F'13). There were no comparable costs in Q3-F'12 or YTD-F'12.

Table 3 provides a breakdown of general and administrative (G&A) costs by major expense types for the comparable three and nine month fiscal periods ended January 31.

Table 3: G&A Expenses – Comparative Periods Ended January 31

	Q3-F'13	Q3-F'12	Change
Salaries and benefits	$ 88,825	$ 93,046	$ (4,221)
Amortization	130,564	129,711	853
Corporate governance	16,462	7,773	8,689
Promotion and travel	4,120	4,625	(505)
Professional fees	82,815	94,250	(11,435)
Rent	9,346	9,346	-
Insurance	14,595	14,895	(300)
Other	3,074	7,658	(4,584)
	349,801	361,304	(11,503)
Share-based compensation	83,841	74,411	9,430
Total	$ 433,642	$ 435,715	$ (2,073)

	YTD-F'13	YTD-F'12	Change
Salaries and benefits	$ 285,838	$ 302,987	$ (17,149)
Amortization	391,502	367,834	23,668
Corporate governance	66,749	56,016	10,733
Promotion and travel	26,342	21,542	4,800
Professional fees	284,333	313,987	(29,654)
Rent	28,038	28,038	-
Insurance	43,516	44,728	(1,212)
Other	19,871	24,650	(4,779)
	1,146,189	1,159,782	(13,593)
Share-based compensation	224,400	173,612	50,788
Total	$ 1,370,589	$ 1,333,394	$ 37,195

Overall, G&A expense decreased $2,073 year over year for the comparable quarters. There were no major expense item variations that affected the G&A expense for the comparable quarters.

On a year to date basis G&A expense increased $37,195 over YTD-F'12. The increase can be attributed to three principal areas as follows:

- Amortization increased $23,668 year over year due to an increase in the value of the underlying molecules being amortized in YTD-F'13. The issuance of a patent from the United States Patent and Trademark Office on October 11, 2011 met one of the development milestones underlying contingent share consideration provided in the acquisition of DDP Therapeutics in November 2007. Accordingly, on October 12, 2011, the Company issued 715,720 common shares as

payment for one-half of the contingent consideration and increased the purchase cost of the molecules. The common shares had a market value of $164,616 based upon the closing market price of the Company's shares on October 11, 2011. As a result, the YTD-F'12 amortization reflected only three months amortization of this cost;

- Professional fees decreased $29,654 from $313,987 in YTD-F'12 to $284,333 in YTD-F'13 as YTD-F'12 included consulting services to assist the Company in its transition from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards required by all Canadian public companies; and,

- Share-based compensation increased $50,788 in YTD-F'13 compared to YTD-F'12 primarily due to share options granted to officers and a consultant in September 2012 with a value recognized in YTD-F'13 of $48,244 for these share options.

S&M expenses increased $45,874 from $58,966 in Q3-F'12 to $104,840 in Q3-F'13. This quarterly increase was also reflected in the year to date results where S&M expenses increased $51,863 from $185,857 in YTD-F'12 to $237,720 in YTD-F'13. Table 4 provides a breakdown of S&M costs by major expense types for the comparable three and nine month periods ended January 31.

Table 4: S&M Expenses – Comparative Periods Ended January 31

	Q3-F'13	Q3-F'12	Change
Salaries and benefits	$ 20,197	$ 49,772	$ (29,575)
Marketing and travel	38,997	8,261	30,736
Professional fees	44,762	-	44,762
Other	884	933	(49)
	104,840	58,966	45,874
Share-based compensation	-	-	-
Total	$ 104,840	$ 58,966	$ 45,874

	YTD-F'13	YTD-F'12	Change
Salaries and benefits	$ 59,076	$ 140,831	$ (81,755)
Marketing and travel	69,074	39,074	30,000
Professional fees	107,732	-	107,732
Other	1,838	3,381	(1,543)
	237,720	183,286	54,434
Share-based compensation	-	2,571	(2,571)
Total	$ 237,720	$ 185,857	$ 51,863

Salaries and benefits expense decreased from $49,722 in Q3-F'12 to $20,197 in Q3-F'13 due to a lower head count in Q3-F'13. This lower cost was offset by an increase of $44,762 in consulting expense recorded in the Professional fees category. These consulting fees related to a licensing consultant

engaged at the end of October 2012 to lead the licensing initiative for COTI-2. Similarly, YTD-F'13 salaries and benefits reflect the lower head count with the increase in professional fees of $107,732 reflecting licensing consultant fees of $59,731 and other business development consulting expenses of $48,001.

The increase in marketing and travel costs relates to an increase in conference expenses, air travel and hotel and meal costs. The increased conference expenses reflect a higher number of attendees at the two conferences attended in Q3-F'13, Bio-Europe in November 2012 (Hanover, Germany) and Biotech Showcase in January 2013 (San Francisco, USA), based upon the increased efforts in licensing and the interest of licensees to meet in this regard. This in turn increased travel, hotel, and meals expense. For YTD-F'13, the increase in marketing and travel was $30,000 compared to YTD-F'12 and directly relates to the increases discussed for Q3-F'13.

Financial Results Summary by Quarter

Table 5 summarizes the financial results of COTI by quarter for the current fiscal year and the past two fiscal years.

Table 5: Summary of Quarterly Financial Results

FYE 2013	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
Revenue	$ 3,404	$ 11,019	$ 10,577	$ -	$ 25,000
Loss	(722,769)	(762,669)	(696,785)	-	(2,182,223)
Loss per common share	$ (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)

FYE 2011	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(558,950)	(334,498)	(634,345)	(473,585)	(2,001,378)
Loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.04)

The majority of the variation by quarter across the years, and year over year, is explained by four expense categories as set out in Table 6.

Table 6: 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	$ 398,344	$ 398,046	$ 349,800	$ -	$ 1,146,190
Research and product development	266,995	239,587	201,283	-	707,865
Investment tax credit recovery	(35,733)	(32,920)	(32,214)	-	(100,867)
Share-based compensation	42,385	98,173	83,841	-	224,399
Total of expense categories	671,991	702,886	602,709	-	1,977,586
Total expense for the quarter	$ 732,684	$ 775,072	$ 707,551	$ -	$ 2,215,307
Expense categories as a % of total expense	91.7%	90.7%	85.2%	0.0%	89.3%

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 recovery	(29,890)	(19,887)	(33,669)	(50,326)	(133,772)
Share-based compensation	41,182	66,717	74,411	39,675	221,985
Total of expense categories	591,377	591,170	565,687	619,439	2,367,673
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%

FYE 2011	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
General and administration	$ 360,708	$ 351,097	$ 367,233	$ 307,468	$ 1,386,506
Research and product development	196,374	137,220	125,255	133,893	592,742
Investment tax credit recovery	-	(122,244)	-	(72,185)	(194,429)
Stock-based compensation	(57,157)	(90,878)	71,069	45,287	(31,679)
Total of expense categories	499,925	275,195	563,557	414,463	1,753,140
Total expense for the quarter	$ 562,452	$ 335,758	$ 635,959	$ 469,924	$ 2,004,093
Expense categories as a % of total expense	88.9%	82.0%	88.6%	88.2%	87.5%

[1] The presentation noted in this table does not conform to the IFRS functional presentation in the Company's interim financial statements. Share-based compensation included in General and Administration, and Research and Product Development in the financial statements has been removed from the functional disclosure and shown separately in this table.

The year over year quarterly and nine month comparison is relatively consistent except for the increase in R&D expense, which is up substantially in each quarter of FYE 2013 compared to FYE 2012. This increase reflects testing and development activities primarily for COTI-2. The increase or decrease in R&D expense reflects the Company's cash position and its ability to pursue testing initiatives at various points in time. This is highlighted by the first quarter of each year tending to show higher R&D expense than in subsequent quarters reflecting the Company's completion of private placement financings in March/April in each of these years. The higher G&A expense in Q2 and Q4 of FYE 2012 reflect the additional professional fees incurred with the Company's compliance in adopting International Financial Reporting Standards required for all public companies effective for year ends beginning on or after January 1, 2011.

Liquidity and Capital Resources

At the end of Q3-F'13, the Company had cash, cash equivalents and short-term investments of $541,629 compared to $1,718,671 in cash, cash equivalents and short-term investments at FYE 2012 reflecting a decrease of $1,177,042. Table 7 summarizes the changes in cash resources for the comparable three month periods ending January 31 for Q3-F'13 and Q3-F'12. The difference in the year over year cash positions is a decrease of $56,109 in Q3-F'13 compared to Q3-F'12.

Table 7: Summary of Changes in Capital Resources [(1)]

	Q3-F'13	Q3-F'12
Increase (decrease) from:		
Operating activities	$ (1,620,307)	$ (1,550,124)
Investing activities	(82,482)	(51,637)
(Decrease) in capital resources before issuance of common shares and warrants	(1,702,789)	(1,601,761)
Proceeds from issuance of common shares and warrants	435,385	11,443
Financing activities not including proceeds from common shares issued	88,782	87,653
(Decrease) increase in capital resources	(1,178,622)	(1,502,665)
Unrealized foreign exchange gain(loss) on cash and cash equivalents	1,580	5,486
Capital resources - beginning of period	1,718,671	2,094,917
Capital resources - end of period	$ 541,629	$ 597,738

(1) See Use of Non-GAAP Financial Measures

Investing activities in Q3-F'13 related to intangible asset expenditures for computer software and patents in the amount of $77,371 (Q3-F'12 - $49,844) and computer equipment of $5,111 (Q3-F'12 - $1,793). 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 licensing value of this intellectual property is protected.

Financing activities YTD-F'13 related to the receipt of ITC of $89,401 related to fiscal 2012 tax filings and a non-brokered private placement completed in January 2013. There were no options or warrants exercised in Q3-F'13 or Q3-F'12.

On January 30, 2013, the Company completed a non-brokered private placement and issued 3,605,258 units at $0.14 per unit for gross proceeds of $504,736.12. 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. Costs of the private placement included $32,571 in cash finders' fees, $25,124 in professional fees and the issuance of 232,652 compensation warrants valued at $9,771 using a Black-Scholes option-pricing model. The compensation warrants are exercisable into one additional common share at a price of $0.20 for 18 months following the close.

On January 29, 2013, 1,575,500 warrants issued as part of a private placement in April and May 2010 and due to expire on January 31, 2013, were amended. The amendment was for the expiry date only and the new expiry date was set as March 14, 2014. The warrants consisted of 129,019 warrants exercisable to buy one common share at $0.55 and 1,446,481 warrants exercisable to buy one common share at $0.37 (the $0.37 Warrants). The expiry date for the $0.37 Warrants will be reduced to a period of fourteen days if, for any ten consecutive trading days during the unexpired term of the warrant (the Premium Trading Days), the closing price of the common shares equals or exceeds $0.55. The reduced exercise period of fourteen days will begin seven calendar days after the tenth Premium Trading Day. The fair market value of the warrants upon amendment was recognized in Contributed Surplus using the Black-Scholes option pricing model in the amount of $87,610 along with the direct costs associated with effecting the amendment of approximately $5,345.

Exercise of these warrants represents potential gross cash proceeds to the Company of $606,158.

The Company's working capital at the end of Q3-F'13 was $374,832 compared to $1,588,254 at FYE 2012. Current assets continue 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. Current assets decreased to $760,058 at Q3-F'13 from $1,929,759 at FYE 2012 for a decrease of $1,169,701, primarily due to the decrease in cash, cash equivalents and short-term investment. Current liabilities increased $43,721 to $385,226 at Q3-F'13 from $341,505 at FYE 2012 because of increased R&D project accruals and increased trade payables related to professional fees.

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. Miscellaneous receivables are of high credit quality being primarily government sources. 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 has no long-term contractual obligations. Short-term contractual commitments existing at the quarter end for R&D testing are summarized on a calendar basis in Table 8. The last R&D contract commitment for $3,900 expires on January 31, 2014. The Company's premises lease is on a month-to-month basis with a 90-day notice period.

Table 8: Contractual Obligations

Obligation		Total		2013		2014
Research and development contracts	$	97,915	$	94,015	$	3,900
Total contractual obligations	$	97,915	$	94,015	$	3,900

Future Plans Impact

The Company has development objectives for the balance of calendar 2013 to advance the testing of COTI-2 thereby enhancing its value to potential licensees and to move the AML project and other projects forward. However, current cash resources are insufficient to enable these development plans to advance to completion. Accordingly, the Company's primary focus is on pursuing additional financing to sustain operations and execute on its business plan with an intention to close a financing in the second quarter of calendar 2013. The Company is also taking steps to address going concern risk by seeking potential customers, partners and collaborators as a means of furthering molecule development and generating revenue streams and in this regard has its primary focus on negotiating a licensing deal for COTI-2 (see Financial and Operational Progress & Outlook). The Company is also closely monitoring its discretionary spending including its research and development expenditures to maximize its operational runway on a go forward basis until additional cash resources are obtained. While the Company has a track record of obtaining financing, there is no certainty that this will occur and that any of the aforementioned strategies will enable the Company to alleviate the going concern risk for the balance of fiscal 2013 and for future periods.

Off-Balance Sheet Arrangements

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

Foreign Exchange Exposure

During Q3-F'13, the Company recorded a foreign exchange loss of $274 compared to a gain of $3,106 in Q3-F'12. The gain of $1,724 recorded YTD-F'13 (YTD-F'12 - $12,985) reflects $1,580 in unrealized gains resulting from holding foreign currency balances at the quarter end compared to $5,486 in unrealized gains in YTD-F'12. The foreign currency exposure at the end of Q3-F'13 was immaterial and consistent with Q3-F'12.

Related Party Transactions

Material transactions with related parties during the quarter were in the ordinary course of business. These were measured at the transaction amount, being the fair market value of the consideration established and agreed to by the related parties and included:

(a) directors and officers participation in the private placement closed on January 30, 2013 (note 6 (b)) in the amount of $97,594 for 697,100 units at $0.14 per unit representing 19.3% of the private placement; and,

(b) consulting fees paid or accrued under a fee for service contract with a director in the amount of $48,127 (YTD-F'13 $128,048, YTD-F'12 $126,875).

Outstanding Share Information

Outstanding share information at the close of business on March 27, 2013 is set out in Table 9.

Table 9: Outstanding Share Information

	Outstanding	Expiry Date
Common shares		
Authorized - unlimited		
Issued	78,058,472	
Fully diluted [1]	113,834,860	
Weighted average outstanding [2]	75,065,015	
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 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
$0.30 compensation warrants	196,875	Oct 26/13
$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
$0.26 compensation warrants	232,652	Jul 29/14
	29,890,096	
Common share stock options		
$0.01 - $0.50	5,365,108	Sep 9/14 - Sep 24 /17
$0.51 - $1.00	521,184	Jun 9/13 - Feb 16/14
	5,886,292	

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

[2] Weighted average shares outstanding calculated from May 1, 2012 to March 27, 2013

Financial and Operational Progress & Outlook

The Company has three primary objectives in the last quarter of fiscal 2013. First, is obtaining additional financial resources to sustain operations and execute on its business plan. Second, is a focus on negotiating a license agreement for COTI-2, which supports the financing efforts and would generate revenues providing financial resources in support of future operating activities. The third objective is the execution of its obligations in three collaboration agreements entered into during the September to December period of 2012.

Strategic Focus

The Company continues to execute on its two-pronged strategy for commercial validation of its underlying CHEMSAS® technology.

This strategy consists of first; taking one of the compounds forward to a licensing deal to demonstrate that a compound discovered and optimized using CHEMSAS® can successfully move through preclinical testing as predicted and be licensed for clinical trials. This compound is COTI-2 and more details on the successful development of the compound are discussed below.

The second part of the strategy is to enter into R&D collaboration agreements with third parties for therapeutic targets of interest to them. This approach creates a ready customer to achieve commercial validation of the Company's CHEMSAS® platform by having these third parties use COTI technology to find lead compounds faster and more cost effectively than historic approaches by such parties. The two agreements entered into during the second quarter and the third agreement in Q3-F'13 contain revenue "tails" – that is upfront amounts received by COTI are modest/cost sharing but the backend payoff can be very significant through further agreements leading to upfront and milestone payments and royalties. These collaborations also build on the number and types of parties that can benefit from using CHEMSAS®, which is important to demonstrate the breadth and depth of CHEMSAS® as a drug discovery tool.

Operations Review and Outlook for Remainder of F'2013

The Company remains focused on licensing COTI-2 not only for the monetary benefit to its shareholders but the opportunity COTI-2 presents for further development in the clinic and ultimately for the benefit of oncology patients. In this regard, the Company continued to meet with prospective licensing partners during Q3-F'13 and anticipates being positioned to negotiate a licensing deal for COTI-2 in the second half of calendar 2013. At the end of October 2012, the Company engaged a life science commercialization consulting firm, Destum Partners, Inc., with considerable experience and contacts in the industry to assist with these licensing efforts. This consulting engagement is primarily a performance based agreement and added greatly to COTI's own efforts to license COTI-2 during Q3-F'13.

The results of the experiments completed during Q3-F'13, combined with the two major testing areas of the two-species toxicity and the MOA activity around p53 mutations ongoing in Q3-F'13 and into Q4-F'13, will increase the value of COTI-2 for a licensing transaction and are critical in moving COTI-2 towards readiness for Phase 1 human clinical trials in 2013.

While COTI-2 licensing is a major part of the strategy for commercial validation, the collaborations announced by the Company to utilize CHEMSAS® in discovering, profiling and optimizing compounds for specific targets for interested parties are also an important part of the validation strategy. During the

third quarter, the Company worked on fulfilling its obligations under the three initiatives described under Collaborations and Co-development Projects below.

R&D expenditures have historically been conducted with contract research organizations (CRO) in the most cost effective manner considering the opportunity for refundable ITCs in identifying least cost, best value suppliers. In this regard, the Company contracted with a well known international CRO in Montreal, Quebec, Canada to undertake the two-species toxicity studies during Q2-F'13 and these studies progressed during the quarter as discussed below. Similarly, a well known international CRO was engaged to lead the IND documentation preparation and submission and provide consultation services on the final testing activities. Working with these leading organizations provides the Company with confidence in successfully concluding the testing and IND filing in the coming months of fiscal 2013 and fiscal 2014.

The Company's strategy to complement the development of COTI-2 and its ultimate licensing, by advancing other drug discovery projects such as the AML program along parallel tracks, continued slowly during Q3-F'13 as the Company focused its resources on COTI-2 testing and licensing. This is expected to continue until additional financing can be obtained to move this testing forward more rapidly.

Expenditures on G&A and S&M activities for fiscal 2013 have been trending below budget and are expected to remain consistent with this trend with actual results for the first nine months lower than budget by approximately $60,246.

Product Development Progress – Q3-F'13 and Future Outlook

The Company continued to make progress in developing its drug candidate pipeline during Q3-F'13 with primary focus on COTI-2, the Company's lead oncology compound, and to a lesser extent its AML program. Because of limited financial resources, the Company has a number of drug compounds and programs whose further development remains on hold. The Company is exploring a variety of ways to realize value on these compounds or further their development through co-development projects.

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. A summary of key milestones in this development is set out below.

- The Company announced the initiation of the final series of toxicity experiments in two animal species for COTI-2 using the oral formulation in Q2-F'13. Activity on the first part of these experiments being the acute and seven day range finding oral toxicity studies in mice and dogs continued and was completed toward the end of Q3-F'13 and into the first week of Q4-F'13 in

both species. There were no scientific issues identified that precluded the continuation of the 28 day studies in Q4-F'13.

- On December 13, 2012, the Company released important new test results proving that COTI-2, at a low dose, restores the normal protein configuration of the R175H p53 gene mutation and did not affect normal p53 protein. The results demonstrated that COTI-2 stops susceptible cancer cells from replicating by correcting the effects of specific genetic errors affecting the p53 gene. These findings further improve the understanding of COTI-2's mechanism of action (MOA).

- In January 2013, the Company initiated further studies to evaluate COTI-2's impact on additional cancer cell lines that have a p53 gene mutation at the M.D. Anderson Cancer Center in Houston, Texas. These studies with leading scientific experts in cancers impacted by the p53 mutation will broaden the understanding of the MOA and assist with licensing efforts and the design of the Phase 1 study to be submitted with the IND package to the FDA.

Acute Myelogenous Leukemia (AML)

COTI's AML discovery efforts have been focused on identifying and optimizing multi-kinase inhibitors. This strategy reflects our understanding that AML is the result of numerous gene mutations affecting multiple cell signaling kinase pathways. With few exceptions, traditional therapies targeting a single abnormal kinase have produced disappointing long-term results. Accordingly, COTI scientists believe a therapeutic approach targeting multiple kinases commonly mutated in AML will have a higher probability of success in improving outcomes for patients. The central kinase target of the COTI program is FLT3 with lesser emphasis on PDGF-R, CSF-1R, cAbl and cKIT.

On October 9, 2012, the Company announced that a number of preclinical tests initiated earlier in the year were successfully completed for the AML program. The compounds were evaluated for their *in vitro* effectiveness, kinase targets and *in vitro* ADME/Tox properties. A number of the compounds were found to be active in multiple leukemia cell lines including human cell lines with the FLT3 mutant kinase which is found in 40% of AML cell lines. Evaluation of kinase screening results from two independent labs confirmed *in vitro* activity against FLT3 mutant kinase as well as wildtype FLT3 kinase. The *in vitro* ADME/tox screen did not identify any liabilities that would preclude further development of the compounds. Accordingly, the Company conducted a review of the test data and initiated synthesis of additional test quantities for the three most promising compounds in early February 2013 subsequent to the quarter end.

Collaborations and Co-Development Projects

In addition to the validation of the CHEMSAS® technology, the collaboration agreements signed in the last four months of 2012 highlight that the CHEMSAS® platform is not restricted to a single disease type or class of drugs but can be used across multiple diseases. The Company announced two agreements in

Q2-F'13 and a third agreement with a multinational pharmaceutical company was announced on December 6, 2012. A summary of these collaborations and development progress on them during the quarter is summarized below.

1. University of Western Ontario

On July 25, 2012, the Company signed a collaborative research agreement (CRA) effective for two years with the University of Western Ontario (Western) located in London, Ontario, Canada, to utilize the Company's proprietary technology CHEMSAS® to discover and optimize novel drug candidates for potential therapies designed to minimize Central Nervous System (CNS) scarring following trauma or stroke. This is an area of clear unmet medical need with at least 1.7 million incidents annually of traumatic brain injury in the United States alone with no effective therapies available to minimize the scarring that results from the injury.

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, titles and interests in and to Intellectual Property (IP) that is developed by COTI researchers and Western researchers in 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, COTI received a payment of $25,000 from Western as a service fee for its screening and validation performance. This payment was recognized in income over the six-month period since signing the agreement and accordingly revenue was completely recognized at the end of the third quarter. All costs associated with COTI's performance under the CRA (being primarily internal labour costs) were expensed at fair market value as incurred in Research and product development in the Statements of Comprehensive Loss. The compounds are currently in testing with Western's researchers.

2. 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. (Delmar) 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 a number of drug target opportunities. COTI will also be responsible for filing provisional composition of matter patents on any compounds forwarded to a major pharmaceutical company for their evaluation and managing the relationship with that company. 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.

At January 31, 2013, COTI was nearing completion of the identification, profiling and optimization of the library of compounds to be sent to Delmar for their assessment on synthesis. The Company estimates that three-quarters of the project salary costs had been incurred at the quarter end. All costs associated with COTI's performance under the RDCA were expensed at fair market value as incurred in Research and product development in the financial statements.

3. Multinational Pharmaceutical Company

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

Under the terms of the agreement, COTI will be responsible for the discovery, profiling, and optimization of targeted drug candidates in a two step approach. COTI will identify and deliver an initial set of compounds discovered using CHEMSAS®. The pharmaceutical company 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 pharmaceutical company 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 on commercially reasonable terms. Such terms are expected to include an upfront licensing fee, preclinical and clinical milestones and a single digit royalty. The agreement has a term of the later of one year or the delivery of the final testing report. 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 during Q3-F'13 and delivered an initial set of compounds in early February 2013. Costs incurred during the quarter for this collaboration consisted primarily of internal labour and $3,444 in third party contract costs. The labour costs were expensed in Research and product development in the financial statements.

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 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 Q3-F'13 remain substantially unchanged from the analysis discussed at length in the Company's 2012 AIF filed in July 2012 and the risks discussed in the FYE 2012 MD&A.

The four risk categories having the greatest affect on the Company during the quarter were:

1. the 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. During the quarter, the Company continued studies on the mechanism of action related to COTI-2. Most drugs work in a variety of ways such that the mechanism of action is very complex and not readily discernible. The studies underway are intended to obtain a clearer understanding of COTI-2's impact on p53 gene mutations in various cancers and support the indirect affect of COTI-2 on the AKT protein complex in the cell-signaling pathway.

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. COTI has experienced such delays in its development activities in working with its CRO. In the quarter, a CRO had quoted the initial phase of the two-species toxicity testing to take three months. This was not fully completed with the results report until after quarter end. This represented a period of five months to complete this testing from initiation to completion.

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 its profiling across many variables in identifying compounds with high probability of successfully becoming drugs, however, it remains a probability only, and failure can occur. In summary, despite the uncertainties noted, COTI-2 continued to progress through preclinical testing and to perform as predicted during Q3-F'13.

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 has 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 positive scientific test results are critical to achieving a revenue realization stage. These efforts were further enhanced by the engagement of Destum Partners Inc. as previously noted. During the quarter, COTI continued to work on its collaboration agreements in moving them toward revenue events. A modest amount of revenue $25,000 was realized on the Western collaboration year to date, however, the commercial validation from success on these projects is expected to allow the Company to improve on this revenue model by increasing upfront payments based upon a record of success in such projects. However, 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 positive test results during fiscal 2013 continued to generate positive feedback from potential licensees, these test outcomes have not translated into a contractual agreement to date. Licensing discussions during Q3-F'13 continued to find interest for early stage deals of novel compounds or classes of compounds. Led by Destum Partners Inc., COTI reached out to over seventy-five potential licensing partners during the quarter. Discussions and non-confidential data package reviews have identified a significant group of interested parties for which further due diligence is proceeding. The degree to which these efforts might lead to a licensing deal is considered to be several months away and is subject to continued due diligence by interested parties. 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 R&D spending are anticipated to be supportive of licensing efforts.

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. 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. In this regard, COTI has had to slow its development of COTI-2 subsequent to Q3-F'13 while it seeks additional financing to enable it to complete the 28 day toxicity testing and realize on its strategic development initiatives. 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 at the end of Q3-F'12 was a guaranteed investment certificate cashable at any time up to its maturity date and with such high liquidity characteristics is a readily available source of capital. Consequently, the Company uses Capital Resources, which includes short-term investments in this measure as its view on readily available cash with respect to the liquidity of the Company.

Table 10: Reconciliation to Capital Resources

	Q3-F'13	Q3-F'12
Cash and cash equivalents	$ 541,629	$ 494,688
Short-term Investments	-	103,050
	$ 541,629	$ 597,738

Changes in Accounting Policies including Initial Adoption

There was one change in Q2-F'13 that affected the Company's reporting under IFRS. This change also impacted Q3-F'13 as the Company entered into three agreements in total during these quarters 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 these interim financial statements.

These standards are required to be applied for annual periods beginning on January 1, 2013; however, early adoption is permitted. The Company does not expect the new policies to have a material impact on the financial statements during the current year because of the nature of the Company's interests in the agreements as more fully described in note 10 to the financial statements and as described earlier in the MD&A under Collaborations and Co-development Projects.

(a) 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 three agreements entered into by the Company during Q2 and Q3-F'13 have been determined to be joint operations as no separate vehicles were created. In a joint operation, the contractual arrangement establishes the parties' rights to the assets and 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 is no material impact on the Company's interim financial statements as a result of this adoption.

(b) 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. As described in Collaborations and Co-developments, the parties to the agreements are primarily responsible for their own costs incurred to complete their activities under the agreements. COTI's estimate of its costs under each agreement is not anticipated to be material. The disclosures required by this standard were included in note 10 to the interim financial statements and are also described under Collaborations and Co-development Projects above.

(c) 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.

(d) 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.

(e) 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 assessed the impact of this amended standard and determined there to be no impact on its financial statements.

(f) IFRS 7 Financial Instruments: Disclosures

In October 2010, the IASB amended IFRS 7 Financial Instruments: Disclosures. This amendment enhanced disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with, an entity's continuing involvement in derecognized financial assets. The amendment was effective for the Company's interim and annual financial statements commencing May 1, 2012. The Company assessed the impact of this amended standard in Q1-F'13 and determined there to be no impact on its financial statements.

Future Accounting Policy Changes

Certain pronouncements have been issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee that are mandatory for annual periods beginning subsequent to the current reporting period. Many of these updates are not applicable to COTI or are inconsequential to the Company. The following accounting pronouncements are applicable beginning on or after January 1, 2013 and accordingly would affect COTI for its fiscal year beginning May 1, 2013:

- IAS 1 Presentation of Financial Statements
- IFRS 9 Financial Instruments – Classification and Measurement
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

A brief description of each accounting pronouncement may be found at pages 26 and 27 of the Company's fiscal 2012 MD&A and note 5(p) of the Company's audited financial statements for the year ended April 30, 2012. The Company is assessing the impact of these accounting pronouncements on its financial statements and does not expect adoption to have a material impact on its financial statements.

In addition to these pronouncements, the IASB published Annual Improvements in May 2012 to IFRSs – 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS. These amendments are effective for annual periods beginning on or after January 1, 2013, with retrospective application permitted. The new cycle of improvements contains amendments to the following standards and interpretations:

- IAS 1 Presentation of Financial Statements
    - Comparative information beyond minimum requirements
    - Presentation of the opening statement of financial position
- IAS 16 Property, Plant and Equipment
    - Classification of servicing equipment
- IAS 32 Financial Instruments: Presentation
    - Income tax consequences of distributions
- IAS 34 Interim Financial Reporting
    - Segment assets and liabilities

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.