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

Fiscal 2015 – First Quarter
for the three months ended July 31, 2014

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Overview

The following Management Discussion and Analysis ("MD&A") is a review of the financial condition and results of operations of Critical Outcome Technologies Inc. ("COTI" or "the Company") for the quarter ended July 31, 2014. This MD&A is intended to assist in understanding the dynamics of the Company's business and the key factors underlying its financial results. The Audit Committee of the Company, as authorized by the Board of Directors, approved the content of this MD&A on September 29, 2014. Disclosure contained in this document is current to this date, unless otherwise stated. This analysis should be read in conjunction with the unaudited condensed interim financial statements ("Interim Financial Statements") and notes thereto for the quarter ended July 31, 2014. These Interim Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and in particular with International Accounting Standard 34: Interim Financial Reporting.

All dollar amounts are expressed in Canadian dollars unless stated otherwise.

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

Forward-looking Statements

This MD&A contains certain statements based upon forward-looking information ("forward-looking statements" or "FLS") concerning the Company's plans for its operations and other matters within the meaning of applicable Canadian provincial securities laws. FLS are necessarily based on estimates and assumptions that are inherently subject to significant business, economic, and competitive uncertainties and contingencies. All statements that address activities, events, or developments that the Company believes, expects or anticipates will or may occur in the future are FLS. FLS are subject to a variety of risks and uncertainties that may cause the actual events or results of the Company to differ materially from those discussed in the FLS, and even if such actual events or results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company.

Any statements that express or involve discussion with respect to predictions, expectations, beliefs, plans, projections, objectives, or assumptions of future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be FLS. The major FLS included in this MD&A are set out in Table 1.

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 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	• Plans to seek additional cash resources • Future financing from amended warrants • Plans to raise capital in the U.S. • Increased share liquidity in the U.S. with the OTC listing
Foreign Exchange Exposure	• Expectation of continued low exposure to currency fluctuations through limited use of research contracts denominated in foreign currency
Financial and Operational Progress & Outlook	• Outline of key operating objectives in 2015 • Scientific experiments for COTI-2 progressing to optimize the licensing value of the drug candidate to Phase 1 ready status • The ability to continue to develop AML compounds as a follow on licensing program • Collaboration projects ongoing with Western University, Delmar Chemicals Inc., and a multinational pharmaceutical company leading to completion and revenue • New applications of CHEMSAS® to be launched • New technologies under development
Industry and Economic Risk Factors Affecting Performance	• The expectation of continued losses until a revenue transaction is secured • Plans to negotiate future licensing agreements • Plans to raise additional financing through different venues and mechanisms available to the Company
Changes in Accounting Policies	• The adoption in fiscal 2015 of new accounting standards issued by the Accounting Standards Board

The basis for the FLS is management's current expectations, estimates, projections, and assumptions. By their nature, they are not guarantees of future performance as they involve significant risks and uncertainties.

The main assumptions used by management to develop the forward-looking information include the following:

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

- An ability to further enhance and add features to the CHEMSAS® technology or incorporate advances in artificial intelligence for internal and collaborative purposes;
- A continuation of favourable preclinical test results from the COTI-2 program and an ability to meet the requirements for regulatory approval;
- Obtaining patent protection for the Company's compounds and other intellectual property; and,
- An ability to attract and retain skilled and experienced personnel and to maintain relationships with third party clinical research organizations.

Management of COTI considers the assumptions on which the FLS are based to be reasonable. However, management cautions the reader that because of the many risk factors as set out in the Company's AIF, including those specifically described below, which are of particular importance to the assumptions above, actual results could differ materially from those expressed or implied in the FLS. These assumptions may prove to be wrong, and as such, undue reliance should not be placed on any individual FLS.

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

- The ability to raise sufficient financing for continuing operations and development including maintaining the Company's workforce;
- The ability to continue favourable preclinical test results from the Company's lead oncology compound, COTI-2;
- The ability to meet future regulatory requirements to commercialize compounds, in particular, COTI-2;
- The ability to establish customer relationships leading to licensing agreements for the Company's compounds;
- The ability to generate customer demand for outputs from the CHEMSAS® technology; and,
- 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 molecules initially targeted at small cell lung cancer that were 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.

On June 16, 2014, the Company commenced trading in the United States on the OTC Markets OTCQB trading platform for venture companies under the symbol COTQF.

Our Business

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

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

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

The Company also seeks to leverage CHEMSAS® to identify targeted lead candidates of commercial interest to pharmaceutical, biotechnology, research, and academic organizations on a collaborative basis. The Company's commercialization strategy for collaborations involves an upfront fee and a shared risk/reward revenue model delivered through a series of milestone payments based on preclinical and clinical test results and a royalty on sales. This service offering provides prospective customers with an efficient and cost effective approach for generating targeted discovery stage

compounds while enhancing value to COTI and its shareholders from the underlying CHEMSAS® technology.

Financial Review of Operations

Summary financial information for the comparative first quarter periods ended July 31, 2014 and 2013 is set out in Table 2.

Table 2 – Summary Financial Information – First Quarter Comparisons

	Q1-FYE'15	Q1-FYE'14	Change
Collaboration and research service revenue	$ -	$ -	$ -
Expenses (income):			
Research and product development	234,840	133,144	(101,696)
Sales and marketing	43,404	2,111	(41,293)
General and administration	718,774	371,317	(347,457)
Investment tax credits	(46,021)	(7,094)	38,927
	950,997	499,478	(451,519)
Loss before finance income (expense)	(950,997)	(499,478)	(451,519)
Finance income (expense):			
Interest income (expense), net	(18,486)	(123)	(18,363)
Foreign exchange gain (loss)	(1,313)	(451)	(862)
	(19,799)	(574)	(19,225)
Loss and comprehensive loss	$ (970,796)	$ (500,052)	$ (470,744)

Revenue

There was no collaboration and research service revenue recognized or earned in the quarter ended July 31, 2014 (Q1-FYE'15) or in the quarter ended July 31, 2013 (Q1-FYE'14).

Operating Expenses

Operating expenses increased from $499,478 for Q1-FYE'14 to $950,997 for Q1-FYE'15, an increase of $451,519. This increase occurred across all major functional expense areas partially offset by an increase in investment tax credits earned as discussed below.

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

Table 3 provides a breakdown of R&D expenses by major expense types for the comparable three-month fiscal periods ended July 31.

Table 3: R&D Expenses – Comparative Three Month Periods Ended July 31

	Q1-FYE'15	Q1-FYE'14	Change
In vivo/In vitro testing	$ 80,991	$ 25,686	$ 55,305
Synthesis	24,924	11,538	13,386
Miscellaneous R&D expenses	1,568	300	1,268
	107,483	37,524	69,959
Salaries and benefits	85,756	88,012	(2,256)
Professional fees	28,973	45	28,928
Other	12,628	8,438	4,190
	234,840	134,019	100,821
Government assistance	-	(875)	875
Total	$ 234,840	$ 133,144	$ 101,696

In vivo/in vitro testing for Q1-FYE'15 increased $55,305 quarter over quarter primarily associated with the final toxicity testing of COTI-2. The toxicity testing results, particularly the 28-day two-species testing outcomes, are the important final test results necessary for filing the IND submission for COTI-2.

Synthesis increased $13,386 quarter over quarter primarily because of additional work on the oral formulation for COTI-2 in scaling up to good manufacturing practises quality for human trials. An additional $14,102 related to synthesis work on a methicillin-resistant staphylococcus aureus ("MRSA") project, which commenced late in the last quarter of fiscal 2014.

Professional fees during Q1-FYE'15 related to scientific consultants' costs in support of COTI-2 testing and the Orphan Drug application for COTI-2 in ovarian cancer approved by the FDA in Q1-FYE'15.

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

Table 4 provides a breakdown of G&A expenses by major expense types for the comparable three month fiscal periods ended July 31. The increase of $347,457 in G&A expenses quarter over quarter is primarily attributable to a significant increase in Professional fees, and to an increase in Salaries and benefits, Corporate governance, and Promotion and travel.

Table 4: G&A Expenses – Comparative Three Month Periods Ended July 31

	Q1-FYE'15	Q1-FYE'14	Change
Professional fees	$ 386,260	$ 85,881	$ 300,379
Amortization	133,117	131,112	2,005
Salaries and benefits	98,302	82,975	15,327
Corporate governance	21,718	8,051	13,667
Promotion and travel	16,892	2,871	14,021
Insurance	14,423	13,821	602
Rent	9,915	9,346	569
Other	13,219	17,320	(4,101)
	693,846	351,377	342,469
Share-based compensation	24,928	19,940	4,988
Total	$ 718,774	$ 371,317	$ 347,457

Professional fees increased $300,379 related primarily to engaging consultants in support of a number of initiatives that did not exist in the comparable prior period. These included strategic advice on raising awareness of the Company in the United States ("U.S."); strategic advice in pursuing financing in the U.S.; and support related to obtaining a listing on the OTCQB trading platform to provide improved market access for U.S. investors. These consulting fees included a non-cash expense related to U.S. financial market advisory services valued at $260,250 using a Black-Scholes valuation model that related to payment for these services by issuing 1,500,000 common share purchase warrants of the Company exercisable at $0.19 USD for a period of five years from the date of issuance.

Salaries and benefits increased in Q1-FYE'14 due to an increase in the allocation of the Chief Executive Officer's time to non-R&D activities.

The increase in corporate governance expense related to the timing of paying the annual Canadian financial filing fees and new expenses related to obtaining the listing on the OTCQB trading platform in Q1-FYE'15.

Promotion and travel expense, related primarily to flights and accommodation costs, increased due to attendance and participation as a presenting company at U.S. investor conferences in May 2014.

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

Table 5 provides a breakdown of S&M expenses by major expense types for the comparable three month fiscal periods ended July 31.

Table 5: S&M Expenses – Comparative Three Month Periods Ended July 31

	Q1-FYE'15	Q1-FYE'14	Change
Salaries and benefits	$ -	$ (279)	$ 279
Marketing and travel	26,145	2,390	23,755
Professional Fees	17,250	-	17,250
Other	9	-	9
Total	$ 43,404	$ 2,111	$ 41,293

The Marketing and travel cost increase of $23,755 quarter over quarter, relates to the timing and attendance at various conferences as well as the number of employees participating at such forums in support of licensing and business development efforts.

The increase in Professional fees by $17,250 in Q1-FYE'15 compared to Q1-FYE'14 relates primarily to the use of consultants for support services on specific licensing efforts for COTI-2 and in support of other business development activities.

d) Investment Tax Credits ("ITC")

The increase in ITC income of $38,927 related to an increase in eligible scientific research and experimental development ("SR&ED") expenditures and to a higher tax credit rate based upon the provincial jurisdiction in which the expenses occurred. SR&ED expenditures increased $55,812 from $151,356 in Q1-FYE'14 to $207,168 in Q1-FYE'15.

e) Interest Expense

The increase in interest expense of $18,363 relates to the 10% interest expense on a $400,000 debenture issued in February 2014 that did not exist in Q1-FYE'14 and the related accretion of the financing expense associated with its issuance.

Financial Results Quarterly Summary

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

Table 6: Summary of Quarterly Financial Results

FYE 2015	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(970,796)	-	-	-	(970,796)
Loss per common share	$ (0.01)	$ -	$ -	$ -	$ (0.01)

FYE 2014	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(500,052)	$ (598,220)	(671,386)	(1,226,521)	(2,996,179)
Loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.03)

FYE 2013	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
Revenue	$ 3,404	$ 11,019	$ 10,577	$ 5,588	$ 30,588
Loss	(722,769)	(762,670)	(696,785)	(443,580)	(2,625,804)
Loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.03)

The majority of the variation by quarter across the years and quarterly year over year is explained by three expense categories as set out in Table 7. Specifically, the trends of R&D expenditures and G&A expenditures, and the timing of share-based compensation have the greatest effect on swings in total expense in any given quarter and between quarters.

In fiscal 2014, R&D expense was steady in the first two quarters but jumped in Q3-FYE'14 and significantly increased in Q4-FYE'14. This spending declined somewhat in Q1-FYE'15 but this quarter remained the second largest R&D expenditure quarter in the past eight quarters. The availability of funding has been the major driver of R&D spending levels across the quarters.

G&A expense has trended upward since Q1-FYE'14 reflecting the increasing use of consultants following staff reductions in fiscal 2012 and 2013. This trend continued in Q1-FYE'15 with major efforts in this quarter and in Q4-FYE'14 on U.S. market education about the Company and preparations for a U.S. financing. Both quarters reflect non-cash expense for financial advisory services paid through the issuance of common share purchase warrants (Q1-FYE'15 - $260,250, Q4-FYE'14 - $220,500).

The overall trend line for the operating expenses in fiscal 2013 was relatively consistent for the first three quarters with a range of $707,000 to $775,000. Operating expenses declined significantly in Q4-FYE'13 compared to the earlier fiscal 2013 quarters to $448,000 as management moved to conserve

cash. Individually, the major expense areas also reflected this trend with both G&A and R&D expense declining significantly in Q4-FYE'13 and responsible for much of the Q4-FYE'13 decline.

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

FYE 2015	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
General and administration	$ 693,846	$ -	$ -	$ -	$ 693,846
Research and product development	234,841	-	-	-	234,841
Investment tax credit	(46,021)	-	-	-	(46,021)
Share-based compensation	24,928	-	-	-	24,928
Total of expense categories	907,594	-	-	-	907,594
Total expense for the quarter	$ 1,018,907	$ -	$ -	$ -	1,018,907
Expense categories as a % of total expense	89.1%	0.0%	0.0%	0.0%	89.1%

FYE 2014	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
General and administration	$ 351,377	$ 409,372	$ 418,587	$ 599,659	$ 1,778,995
Research and product development	133,144	124,050	183,411	593,812	1,034,417
Investment tax credit	(7,093)	(13,606)	(27,853)	(69,561)	(118,113)
Share-based compensation	19,940	36,189	61,531	46,012	163,672
Total of expense categories	497,368	556,005	635,676	1,169,922	2,858,971
Total expense for the quarter	$ 499,478	$ 599,029	$ 675,359	$ 1,297,249	$ 3,071,115
Expense categories as a % of total expense	99.6%	92.8%	94.1%	90.2%	93.1%

FYE 2013	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
General and administration	$ 397,091	$ 398,046	$ 349,800	$ 308,058	$ 1,452,995
Research and product development	266,995	239,587	193,284	91,551	791,417
Investment tax credit	(35,733)	(32,920)	(32,214)	(27,066)	(127,933)
Share-based compensation	42,385	98,173	83,841	41,010	265,409
Total of expense categories	670,738	702,886	594,711	413,552	2,381,887
Total expense for the quarter	$ 732,684	$ 775,072	$ 707,551	$ 448,174	$ 2,663,481
Expense categories as a % of total expense	91.5%	90.7%	84.1%	92.3%	89.4%

(1) The presentation noted in this table does not conform to the functional presentation in the Company's interim and annual financial statements. Share-based compensation included in General and administration, Research and product development and Sales and marketing in the financial statements has been removed from the functional disclosure and shown separately in this table.

Liquidity and Capital Resources

Table 8 summarizes the changes in capital resources for Q1-FYE'15 and Q1-FYE'14. At the end of Q1-FYE'15, the Company had cash and cash equivalents of $868,707 compared to $301,933 in capital resources at Q1-FYE'14 reflecting an improvement in the Company's cash position between the comparable quarters of $566,774. As discussed below, the substantial increase in cash used in operating activities of $556,579 in Q1-FYE'15 was covered by over $1,000,000 in financing during the quarter.

Table 8: Summary of Changes in Capital Resources [(1)]

	Q1-FYE'15	Q1-FYE'14
Used in:		
Operating activities	$ (845,127)	$ (288,548)
Investing activities	(34,384)	(71,024)
Decrease in capital resources before financing activities	(879,511)	(359,572)
Net cash proceeds from issuance of common shares and warrants	945,514	495,046
Issuance cost of warrant amendments	(6,582)	-
Interest paid	(11,727)	(660)
Decrease increase in capital resources	47,694	134,814
Less: unrealized foreign exchange loss on capital resources	(9,262)	(2,228)
Capital resources - beginning of period	830,275	169,347
Capital resources - end of period	$ 868,707	$ 301,933

(1) The presentation used in this table does not conform to the presentation in the Company's interim and annual financial statements as set out the Statements of Changes in Cash Flows (SCF). Details presented in those SCF have been condensed in this presentation to highlight the significance of financing efforts to the ongoing operation of the Company.

Financing Activities During Q1-FYE'15

The Company obtained $1,013,562 in financing during the quarter, $895,222 from a private placement that closed in early June 2014 and $118,340 from warrant and option exercises. The details related to these sources of funds are set out below.

a) Private Placement

On June 3, 2014, the Company completed the second tranche of a non-brokered private placement with the first tranche having closed on April 30, 2014. Under the second tranche, the Company issued 5,595,135 units consisting of one common share and one warrant at $0.16 per unit for gross proceeds of $895,222. Each common share purchase warrant is exercisable for one common share at an exercise price of $0.28 for a period of 24 months following the date of issue. The Company paid cash costs of $56,238 related to the placement consisting of professional and legal fees of $21,180, and $35,058 in finders' fees. The Company also issued 219,110 compensation warrants valued at $21,254 with each compensation warrant exercisable for one common share at an exercise price of $0.22 for a period of 24 months from the date of issue. The expiry date for the common share purchase warrants and the compensation warrants is June 2, 2016.

b) Option and Warrant Exercises

The Company realized gross proceeds of approximately $118,340 related to the exercise of 385,192 share options, 35,800 common share purchase warrants and 178,292 compensation warrants. The common share purchase warrants were exercised at a price of $0.26 per common share and the compensation warrants were exercised at a price of $0.20 per common share Warrant Amendment.

c) Warrant Issuance

During the quarter there were 1,500,000 common share purchase warrants issued to a U.S. investment bank under the terms of a strategic financing advisory agreement signed in February 2014. These issuances included; 210,000 on May 5; 540,000 on May 6, and 750,000 on June 6, 2014. The warrants, exercisable to buy one common share at a price of $0.19 USD, vested immediately upon issuance and have a term of five years expiring on May 4, May 5, and June 5, 2019, respectively. These warrants represented the final payment of a total of 3,000,000 warrants to be issued for the advisory services as previously announced. The initial payment of 1,500,000 warrants was made on April 11, 2014.

The warrants and any shares issued upon warrant exercise are subject to a hold period related to resale in Canada of four months plus one day from the date of issuance and a hold period in the United States in accordance with applicable securities laws.

d) Future Financing Sources – Warrant Amendments

During Q1-FYE'15, the board of directors ("Board") of the Company determined that warrants nearing their expiry date should be amended for a number of reasons, one of which was that they represented a reasonably cost effective source of future financing. However, recognizing that there was no requirement to amend these warrants and that indeed a benefit was being conferred on these warrant holders, it was appropriate to put an exercise price trigger in place to force the exercise at a future time to provide the financing benefit the Company foresaw by making the amendment. The details of these amendments are set out below.

i. On May 27, 2014, 12,500,000 common share purchase warrants exercisable at $0.30 and due to expire on May 31, 2014, were amended. The new expiry date is March 15, 2016, and is subject to a reduction period of 21 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 on the TSXV equals or exceeds $0.60. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

ii. On July 16, 2014, 3,569,485 common share purchase warrants exercisable at $0.26 and due to expire on July 29, 2014, were amended. The new expiry date is January 29, 2016, and is subject to a reduction period of 21 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 on the TSXV equals or exceeds $0.60. The reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

e) Listing of Company Shares in the United States

As announced on June 16, 2014, the Company's common shares commenced trading in the United States on the OTCQB venture stage marketplace under the symbol "COTQF". The "QF" designation is an

acronym for "qualified foreign company". OTCQB offers investors transparent trading in early-stage and developing U.S. and international companies. To be eligible, companies must meet a minimum $0.01 bid test, be current in their reporting, and undergo an annual verification and management certification process. International companies must also be listed on a qualified foreign stock exchange and receive a Letter of Introduction from a Principal American Liaison ("PAL"), which must be a qualified third-party investment bank, securities law firm, or depositary bank.

Obtaining the listing on the OTCQB was done as a first step to improving visibility and exposure in the U.S. and enhancing the value of the Company. Management believes the Company has reached an important inflection point in its growth that requires the Company to open itself up to the larger, and more life science-focused, U.S. market. The OTCQB platform fit within the Company's capability and eligibility in creating such an opportunity for U.S.-based investors to obtain information about the Company and invest through a trading platform familiar to them. This improved accessibility is expected in time to foster increased interest in the Company and improve liquidity for all investors.

Working Capital

The Company's working capital at the end of Q1-FYE'15 was $331,349 compared to $29,141 at FYE'14. This increase since FYE'14 reflects the positive impact of the private placement financing completed in Q1-FYE'15. This level of working capital highlights the need for additional financing to fund operations, and efforts in this regard are discussed below.

Current assets continue to remain liquid and 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 increased $135,629 in Q1-FYE'15 to $1,195,331 from $1,059,702 at FYE'14 due to an increase in cash and investment tax credits earned on its eligible R&D expenditures. Current liabilities decreased $233,458 at Q1-FYE'15 from FYE'14 primarily due to the payment of R&D liabilities existing at FYE'14.

The Company's exposure to fluctuations in the recoverability of its financial assets is limited as cash not required for current purposes is held in interest bearing cash accounts. The short periods to maturity of these instruments and their capacity for prompt liquidation result in future settlement amounts that are consistent with carrying values. Given the nature of the Company's financial liabilities, there is limited risk that future settlement amounts will differ from carrying values. The Company does not have any derivative financial instruments, nor does it engage in hedging transactions, as risk exposure is limited.

The Company's contractual obligations to third parties at the end of Q1-FYE'15 are limited to the current fiscal year as summarized in Table 9.

Table 9: Contractual Obligations

Obligation	Total	2015	2016
Insurance finance contract	$ 15,146	$ 15,146	$ -
Research and development contracts	195,406	195,406	-
Total contractual obligations	$ 210,552	$ 210,552	$ -

Going Concern Risk

The Company has formulated goals for the upcoming year to advance the testing for COTI-2 in enhancing its attractiveness to potential licensees and to move other revenue initiatives and development projects forward as resources permit. For COTI, the material uncertainties related to working capital and cash resources discussed above and a commitment to repay a $400,000 debenture in February 2015, raise significant doubts about the ability of the Company to accomplish its goals. These conditions highlight that the Company has not yet established commercial operating revenues to fund its operations and accordingly operating cash flows continue to be negative.

In order to accomplish its goals and alleviate the going concern risk, the Company is taking steps to obtain additional cash resources. This includes actively pursuing sources of financing, including but not limited to, raising capital in the public market and securing government grants, and seeking potential customers, partners, and collaborators as a means of furthering molecule development and generating cash from revenue streams. As evidence of these efforts, the Company closed a private placement in June 2014, as described above under "Financing Activities During Q1-FYE'15" that raised gross proceeds of approximately $895,222. Further, the Company also has actively sought to raise its investing profile in the U.S. by obtaining a U.S. market listing on the OTCQB and has engaged a U.S. investment bank for advisory and capital raising purposes. The Company has discretion with many of its expenditure activities and plans to manage these activities in fiscal 2015 within the limits of available cash resources. While the Company has a history of obtaining financing and is working diligently to obtain the required resources, there is no certainty that any of the aforementioned strategies will enable the Company to alleviate the going concern risk in future periods.

Financing Activities Subsequent to Q1-FYE'15

a) Warrant Exercises

Subsequent to Q1-FYE'15, the Company has received funding of $200,796 to support operations through the exercise of common share purchase warrants and compensation warrants. These funds related to the exercise of 625,000 common share purchase warrants exercisable at $0.30 for proceeds of $187,500 and to the exercise of 66,482 compensation warrants exercisable at $0.20 for proceeds of $13,296.

These warrant exercises highlight the substantial opportunity for funding from outstanding warrants through the continued execution of the Company on its plans to bring COTI-2 through a Phase 1 clinical trial and to a successful licensing.

b) Phase 1 Clinical Trial Letter of Intent with MD Anderson Cancer Centre

On September 8, 2014, the Company announced it had signed a letter of intent ("LOI") with The University of Texas MD Anderson Cancer Center ("MD Anderson"), to conduct the Phase 1 clinical development of the Company's lead cancer drug candidate, COTI-2, in gynecological cancers.

Under the terms of the Phase 1 agreement, the Company and MD Anderson will work together to design and conduct a first in humans study with oral COTI-2 in up to 40 women with advanced gynecological cancers who have failed conventional therapy. For the purposes of the study, the term "gynecological" cancers refers to cancers of the ovary, endometrium, and cervix. Management research and advice from its consultants determined that a typical Phase 1 trial of the scale and complexity planned would have a cost range of approximately $3.5 to $4.0 million USD. The parties have negotiated a cost structure for the clinical trial that is very favorable to the Company. COTI's contribution is estimated at approximately $1.25 million USD with the remainder of the cost funded by MD Anderson as in kind monitoring, testing, and pharmacy capabilities. The final definitive agreements will be signed once the final testing protocol and investigator's brochure are completed as part of the IND filing with the FDA planned for November 2014. The parties anticipate that patient recruitment for the Phase 1 clinical trial will begin in early 2015.

c) Joint Venture with Portage Biotech Inc.

Since announcing the proposed joint venture with Portage Biotech Inc. ("Portage") in February 2014, the Company has continued the development of COTI-2. This has included completing the two-species toxicity studies successfully, obtaining an Orphan Drug Designation for ovarian cancer, and moving closer to the completion of an IND filing with the FDA. As announced on September 8, 2014, and discussed above, the identification and engagement of a clinical partner, MD Anderson, for a Phase 1 study on favourable financial terms has added further value to the asset. With these important developments and the significant added value to the asset, the Company has decided not to pursue the proposed joint venture with Portage. Based upon the positive relationship developed with Portage during the due diligence process there may be opportunities for the two companies to work together in the future.

Off-Balance Sheet Arrangements

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

Foreign Exchange Exposure

The Company has historically entered contracts denominated in United States dollars ("USD") and Euros ("EUR"), and, as a result, the Company has exposure to risk from fluctuations in exchange rates between the CAD, USD, and EUR. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, variations in foreign exchange rates could cause fluctuations in the Company's operating results and cash flows.

During Q1-FYE'15, the Company's foreign exchange exposure was related to the USD and to the Swiss franc. The amount of this exposure is not material to the Company's operations with a foreign exchange loss of $1,313 recorded in the quarter compared to a loss of $451 in Q1-FYE'14.

Related Party Transactions

Material transactions with related parties that occurred during Q1-FYE'14 were in the ordinary course of business and related to warrant amendments.

The Company amended two warrant series nearing expiration for all warrant holders of the respective expiring warrant series (see Future Financing Sources - Warrant Amendments). Certain directors and officers participated in the private placement financings that resulted in the issuance of these warrants and accordingly had their warrants amended as part of the amendment activity. For accounting purposes, the value of these amendments was recorded as an increase in the value of the warrants and a reduction in Contributed Surplus in the Company's share equity based upon the increase in fair market value determined using a Black-Scholes valuation model. The related parties' warrants and their share in the fair market value increase attributed to the warrants appear in Table 10.

Table 10: Warrant Amendments affecting Related Parties

Name	**Relationship**	**Description of Transaction**			**Value**
		Amendment Date	No. and Type of Warrants	New Expiry Date	
Various	Directors and officers	May 27, 2014 (1)	3,256,250 $0.30 warrants	March 15, 2016	$224,681
Various	Directors and officers	July 16, 2014 (2)	339,500 $0.26 warrants	January 29, 2016	$38,842

Outstanding Share Information

Outstanding share information at the close of business on September 28, 2014 is set out in Table 11.

Table 11: Outstanding Share Information

	Outstanding	Expiry Date
Common shares		
Authorized - unlimited		
Issued	103,748,240	
Diluted [(1)]	166,964,244	
Weighted average outstanding [(2)]	101,670,025	
Common share warrants		
$0.26 warrants	2,412,397	Nov 30/14
$0.20 compensation warrants	10,350	Nov 30/14
$0.26 warrants	2,003,498	Dec 20/14
$0.20 compensation warrants	29,346	Dec 20/14
$0.20 warrants	1,250,000	Feb 4/15
$0.26 warrants	9,141,465	Feb 15-27/15
$0.20 compensation warrants	195,832	Feb 27/15
$0.26 warrants	1,066,667	Mar 1/15
$0.20 compensation warrants	53,333	Mar 1/15
$0.37 warrants	1,446,481	Mar 31/15
$0.55 warrants	129,019	Mar 31/15
$0.30 warrants	10,625,000	Apr 23 - May 26/15
$0.26 warrants	3,569,458	Jan 29/16
$0.30 warrants	12,500,000	Mar 15/16
$0.28 warrants	3,356,250	Apr 29/16
$0.22 compensation warrants	242,000	Apr 29/16
$0.28 warrants	5,595,135	Jun 2/16
$0.22 compensation warrants	219,110	Jun 2/16
$0.26 warrants	769,230	Feb 4/19
$0.19 USD compensation warrants	3,000,000	Apr 11 - Jun 6/19
	57,614,571	
Common share stock options		
$0.01 - $0.25	4,455,157	Apr 30/15 - Dec 4/18
$0.26 - $0.50	1,146,276	Feb 11/15 - Sept 26/16
	5,601,433	

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

[(2)] Weighted average shares outstanding calculated from May 1, 2014 to Sep 28, 2014.

Financial and Operational Progress & Outlook

Financial Outlook for Remainder of FYE 2015

In Q1-FYE'15, the Company continued to meet with prospective licensing partners in select markets for its lead oncology compound, COTI-2. The positive impact of COTI-2 on p53 mutations that occur in more than 50% of all cancers has been confirmed in a number of different studies and repeat studies during fiscal 2014 and into the first and second quarter of fiscal 2015.

In this regard, the Company announced in September 2014 results from another study that clearly demonstrated the selective and potent anti-cancer activity of oral COTI-2. In these experiments, human tumors with three specific common mutations of p53 and one mutation without the p53 gene present were allowed to grow in mice. Treatment with oral COTI-2 at both 30 mg/kg and 75 mg/kg produced dramatic growth inhibition in tumors with the p53 mutations but had no effect on the tumors without the p53 gene.

Results like these are shared on a continuous basis with a broad group of interested parties to support efforts in licensing the compound for further development. The Company maintains and updates a secure scientific data room that allows interested parties to review data related to their due diligence efforts.

As noted in the FYE'14 MD&A discussion, while COTI-2 results continue to be positive, potential licensees are seeking positive confirmatory human data as an event to trigger licensing discussions. In this regard, the Company announced in September 2014 the signing of a letter of intent to conduct the Phase 1 human trial with MD Anderson Cancer Center in Houston, TX. The Company has been working with MD Anderson throughout Q1-FYE'15 to develop the testing protocol and investigator's brochure that are part of the submission to the FDA in support of the Company's IND application. Filing of the IND application is expected to occur in November 2014 with the first patients enrolled in the study in early 2015 subject to receiving approval from the FDA. The typical time to approval for an IND is in the range of one to three months. Given the FDA review conducted of COTI-2's scientific data package in granting the Orphan Drug Designation, the Company believes the IND approval would be earlier rather than later in this range.

The Company has a number of important objectives planned for the balance of fiscal 2015 to drive the business to revenue. However, in order to realize its objectives, the Company will require additional funding. Funding will also be needed to repay the $400,000 debenture due in February 2015. Funding achievements in Q1-FYE'15 were highlighted in the Liquidity and Capital Resources section including certain events occurring subsequent to the quarter-end such as the Phase 1 clinical study cost sharing with MD Anderson.

Additional private placement equity financings will be required to fund operations through fiscal 2015 with the Company planning to complete a financing in the fall of 2014 with funding from both Canadian

and U.S. sources as well as institutional and accredited investors. Additional funding sources through the balance of the fiscal 2015 may include:

- the exercise of options/warrants that could occur with an increase in the stock price above current exercise prices;
- government funding;
- co-development project funding from interested partners; and,
- a licensing agreement for COTI-2, or one of the collaboration assets.

Key Operational Objectives

The Company set out key operational objectives for fiscal 2015 in its fiscal 2014 year-end MD&A. An update on progress regarding these appears for each major initiative and the objectives identified for fiscal 2015 below.

1. COTI-2

a) To complete the 28-day two-species toxicity experiments, commenced in February 2014, in the first quarter of fiscal 2015.

Update: The laboratory work including pathology was successfully completed in Q1-FYE'15 and a draft report for review and comment for each species was provided to the Company in July 2014. The Company reviewed the report and did not note any items that precluded or caused concern in moving forward to human trials. The final report is expected by the end of Q2-FYE'15.

b) To prepare the IND submission package to the FDA by the end of September 2014 with major activities as follows:

i. IND submission writing

Update: Progressing with a November 2014 filing target.

ii. Phase 1 test protocol preparation

Update: The Company and the investigative team from MD Anderson have been working on this since early June 2014 and it is expected to be completed in November 2014.

iii. Investigator's brochure preparation

Update: The Company and the investigative team from MD Anderson have been working on this since early June 2014 and it is expected to be completed in November 2014.

iv. Pre-filing FDA meeting

Update: Based upon the FDA review of the COTI-2 data package in approving the Orphan Drug status for ovarian cancer, the Company was able to get a waiver from this meeting that will save considerable time and allow the Phase 1 to commence in early January as planned.

v. Electronic submission of IND

Update: Currently targeted for November 2014.

c) To obtain Orphan Drug Designation for COTI-2 in the treatment of ovarian cancer with a target for this in the first quarter of fiscal 2015.

Update: Notice of approval was received in June and announced on June 17, 2014. This designation provides potentially significant benefits for the compound and its future licensee and enhances the value of the compound for COTI.

d) To commence the Phase 1 clinical trial of COTI-2 in the second half of the fiscal year. The estimated cost for this trial is approximately $3.5 million USD.

Update: The Company now plans to file the IND in November 2014 with the Phase 1 study expected to commence in early 2015 subject to approval of the IND. As highlighted in "Financing Activities Subsequent to Q1-FYE'15", the Company has signed a LOI to conduct the Phase 1 clinical trial with MD Anderson. The final budget and signing of the agreements are expected by the end of Q2-FYE'14 once the study protocol and investigator brochure are completed for the IND filing and the final budget can be set. The Company currently expects the all-in cost to the Company to conduct the study will be approximately $1.25 million USD based upon the budget for costs to be conducted with MD Anderson.

e) To move COTI-2 licensing discussions forward to a licensing agreement based upon achieving milestones such as the toxicity test outcomes, IND approval, and Phase 1 clinical trial initiation.

Update: The Company continues to share the test outcomes and progress with interested parties. This will continue as the IND and Phase 1 approach.

2. <u>R&D Collaborations</u>

a) To move two of the collaborations (Delmar Chemicals Inc. and Western University) toward potential preclinical licensing events in the latter half of the fiscal year.

Update: Western University - At April 30, 2014, Western was waiting approval on a grant application to provide additional financing for completing the proof of concept studies. This funding was received and the proof of concept studies are ongoing. COTI and Western also moved ahead jointly with a patent application and COTI filed a provisional patent subsequent to the end of Q1-FYE'14. Western and the Company met with a major international partner to discuss funding and a co-development based upon the preliminary animal results and their interest in the SOX-9 target.

Delmar Chemicals Inc. ("DCI") - The project was initiated based upon inhibiting angiogenesis targets identified to be of potential interest in the Open Innovation Drug Discovery ("OIDD") program of Eli Lilly and Company. Two of the three compounds that passed the initial computational screens that focused on novelty, synthetic feasibility, and potential toxicity have been synthesized and will be

transferred to the OIDD program subsequent to Q1-FYE'15. The OIDD program will now conduct its in-house assay-testing program that is expected to take 4-6 months. The third compound remains with DCI in synthesis.

b) To determine next steps with the Major Pharma collaboration announced in December 2012 and complete the second phase of the project to position it for a license event or engage new potential licensees for the program should the Major Pharma not wish to proceed.

Update: The Company is awaiting further direction from the Pharma as to final test data and conclusions as to what further refinements and optimization might be required to get final candidates for the Pharma to evaluate in the second phase of the project. Based upon the preliminary test data, the Company has identified some independent testing of the compounds that could be done to move the project along once the financial resources are obtained. While the project appears to have stalled for a period as COTI awaits the Pharma, the therapeutic target is believed to be of significant interest to a number of other pharmaceutical companies. This would be a viable direction for the project should the Pharma not decide to move ahead, since a number of compounds showed great promise in the initial assays.

c) To launch at least one co-development initiative undertaken on a fee for service model for customer driven targets using CHEMSAS®.

Update: The Company commenced preliminary work on compounds targeted at MRSA in response to the interest of a European based Pharma. The Company is currently having the compounds identified and optimized by CHEMSAS® synthesized by a Swiss synthesis company specializing in the unique synthesis process necessary for compounds of the molecular structure identified. The Company anticipates synthesis being completed in Q3-FYE'15 at which time confirmatory *in vitro* and *in vivo* studies will be conducted.

3. <u>AML Program</u>

a) To conduct *in vivo* efficacy and maximum tolerated dose studies to enable the selection of the final compound for moving forward in further preclinical testing.

Update: There has been no progress on this initiative due to resource constraints with plans to start this study in Q3-FYE'15.

b) To initiate qualification discussions with the list of prospective licensees with the objective of positioning for a license or co-development of the program as the preclinical scientific data package builds.

Update: There has been no progress on this initiative due to resource constraints with plans to complete this in Q4-FYE'15.

4. New revenue initiatives

a) To complete the business and marketing plan and hire staff to launch the CHEMFirm product service.

Update: The high level business plan was completed with a consultant during Q1-FYE'14. Another consultant was engaged subsequent to Q1-FYE'14 to develop the detailed marketing and business implementation plan. Part of the implementation plan will identify the necessary staffing to execute on the launch of the service product.

b) To launch the CHEMFirm product service.

Update: No progress at the end of Q1-FYE'14 pending further business planning efforts noted in (a) above.

New Technologies

As noted in the annual MD&A for FYE'14, the Company also commenced development of a new technology based upon the substantial database of both proprietary and public knowledge gathered in its oncology drug discovery projects. The project, currently referred to as ROSALIND, is targeted to provide personalized oncology drug treatment recommendations to physicians and patients based on the genetic profile of each individual patient's specific cancer. A working model of ROSALIND has been developed and a PCT patent was filed for the technology in December 2012. The Company continues to look at the next steps in how best to develop this technology on a timely basis. Some of the key strategic issues to be addressed include:

- Completion of initial proof of concept validation with oncology practitioners with a limited number of patients;
- Identification and engagement of collaborative development partners;
- Development of a large scale validation study; and,
- Development of a business case to bring the technology to market.

The Company plans to seek government support and research partners in moving the project through clinical and commercial validation.

Industry and Economic Risk Factors Affecting Performance

The biotechnology industry is regarded as high risk given the uncertain nature of developing drug candidates and limited access to capital. On the other hand, success in this industry can be highly rewarding. COTI operates in the discovery and preclinical stage of the drug development cycle. The realization of COTI's long-term potential is dependent upon the successful development and commercialization of molecules discovered using the Company's drug discovery technology either for its own account or in R&D collaboration agreements for others, and in utilizing the technology to provide

profiling and screening services on a fee for service basis. The major industry and economic risk factors affecting realization of this potential are reviewed in the Company's 2014 Annual Information Form.

The four risk categories having the greatest effect on the Company during Q1-FYE'15 and for the balance of the year are listed and discussed as follows:

1. uncertainties related to research
2. the lack of product revenues;
3. securing licensing agreements; and,
4. access to capital.

Uncertainties Related to Research

Like other biotech and pharmaceutical companies, COTI's research programs are based on scientific hypotheses and experimental approaches that may not lead to desired results. In addition, the timeframe for obtaining test results may be considerably longer than originally anticipated, or may not be possible given time, resources, and financial, strategic, and scientific constraints. Success in one stage of testing is not necessarily an indication that a particular compound or program will succeed in later stages of testing and development. It is not possible to guarantee, based upon studies in *in vitro* models and in animals, whether any of the compounds made for a therapeutic program will prove to be safe, effective, and suitable for human use.

Each compound will require additional research and development, scale-up, formulation, and extensive clinical testing in humans. Development of compounds may require further investigation into the mechanism of action ("MOA") where this is not fully understood as many compounds have multiple MOAs. The discovery of unexpected toxicities, lack of sufficient efficacy, poor physiochemical properties, unacceptable ADME properties, drug metabolism and pharmacokinetics, inability to increase scale of manufacture, market attractiveness, regulatory hurdles, as well as other factors, may make COTI's therapeutic targets, or product candidates unattractive or unsuitable for human use and COTI may abandon its commitment to that program, target, or product candidate. COTI believes its CHEMSAS® process serves to mitigate or reduce these risks compared to traditional historic approaches by virtue of profiling across many variables in identifying compounds with high probability of successfully becoming drugs, however, its predictions remain a probability only and failure can occur. Despite these uncertainties, COTI's lead compound, COTI-2, continues to progress through preclinical testing and perform as predicted. The compound also appears poised to move on into a Phase 1 clinical trial in 2015 that provides further support to the scientific validation of the CHEMSAS® technology platform.

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 its inception to April 30, 2014, COTI has worked to develop relationships with prospective customers, and strived to obtain licensing and collaboration agreements for its own products and therapeutic targets of interest to partners. The continued development of COTI-2 and the nurturing of relationships with licensees concerning the strong scientific test results for the compound are critical to achieving a revenue realization stage. Accordingly, operating losses are expected to be incurred until revenues from upfront licensing, milestone and royalty payments are sufficient to fund continuing operations. COTI is unable to predict with any certainty when it will become profitable, or the extent of any future losses or profits.

Securing Adequate Licensing Agreements

The Company's ability to commercialize its products successfully will depend on its ability to negotiate licensing agreements with biotech or pharma companies for its compounds. This will require first meeting the scientific due diligence requirements of prospective customers. While continued positive test results for COTI-2 during fiscal 2014 and Q1-FYE'15 generated positive feedback from potential licensees, these test outcomes have not translated into a contractual agreement to date. Licensing discussions during fiscal 2014 continued to find interest in the compound but the novel nature of the compound and class has caused licensees to seek further proof of the mechanism of action through test results in humans.

While industry reviews of the productivity of pharmaceutical industry R&D spending in generating new compounds indicates major pharmaceutical company pipelines have dramatically underperformed in producing new drugs for the R&D dollars invested, there is no certainty that licensing deals can be negotiated for COTI-2 or COTI's other compounds. Major pharmaceutical companies are seeking assets with as low a risk profile as possible hence a preference for later stage clinical compounds with lower risk profiles having successfully reached as far as, or through, Phase 3 clinical trials. While it may seem a reasonable strategy for a major pharmaceutical company to have a drug development pipeline across the entire development cycle there is no certainty that COTI can be a licensed provider of compounds to the preclinical or early clinical stage segment of such a pipeline. There is also no certainty that COTI can obtain licensing terms that are acceptable in indicating a commercially viable market for its products.

Access to Capital

The Company continually monitors its cash resources to support its R&D programs in an effort to move its compounds, particularly COTI-2, as rapidly as possible through development. These efforts were highlighted under Liquidity and Capital Resources where the Company noted the financial challenges that can hinder project development and the Company's efforts to generate needed capital. Historically, the Company has focused on the Canadian marketplace, however, the U.S. capital markets are seen as more receptive to life science company investment. Accordingly, the Company has

increased its access to funding in this market by obtaining a listing on the OTCQB and by engaging a U.S. investment bank for financial advisory services. There is no certainty that these efforts will prove successful in increasing capital available from more life-science knowledgeable investors. In seeking to raise equity capital, COTI will have to price such equity offerings ("Offering") in relation to the market's current perception of value.

Accordingly, the Offering price may not be indicative of the market value for COTI after the Offering, which value may rise or decline in relation to the value reflected in the issue price of the Offering. If additional funding cannot be obtained, COTI may be required to delay, reduce, or eliminate one or more of its R&D programs or obtain funds through corporate partners or others who may require it to relinquish significant rights to its product candidates or obtain funds on less favourable terms than COTI would otherwise accept. Despite the Company's financing efforts, there can be no assurance additional funding can be obtained.

Changes in Accounting Policies

Details regarding the adoption of new accounting pronouncements in FYE'14 and future accounting policy changes affecting FYE'15 based upon new accounting pronouncements are set out below.

a) Adoption of new accounting pronouncements:

The IASB issued new standards and amendments or interpretations to existing standards that were effective at the time of commencing the Company's fiscal year beginning May 1, 2014. The Company adopted these new standards as described below.

i. IAS 32 – Financial Statements: Presentation:

In December 2011, the IASB amended IAS 32 related to offsetting financial assets and financial liabilities. The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if at the time of the transactions that right is not contingent on a future event; and, enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The adoption of this amended standard had no impact on the financial statements during Q1-FYE'15 based upon the Company's current operations.

ii. IAS 36 – Impairment of Assets:

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment

loss has been recognized or reversed. The amendments affect certain disclosure requirements only and the adoption of this amended standard had no impact on the financial statements during Q1-FYE'15 based upon the Company's current operations.

b) Recent accounting pronouncements not yet adopted:

Certain pronouncements have been issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for annual periods beginning subsequent to the April 30, 2014 year-end. Many of these updates are not applicable to COTI or are inconsequential to the Company and have been excluded from the discussion below. The remaining pronouncements are being assessed to determine their impact on the Company's results and financial position as follows:

i. IFRS 9 – Financial Instruments:

In November 2009, the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 Financial Instruments (2013).

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. These two amended standards effectively will eliminate the existing IAS 39 categories of held-to-maturity, available-for-sale, and loans and receivables.

The Company is currently evaluating the impact of these amendments on its financial statements. The full impact of this standard will not be known until the amendments addressing impairments, classification, and measurement have been completed. When these projects are completed, an effective date will be announced by the IASB. The Company does not intend to early adopt IFRS 9 (2009), IFRS 9 (2010), or IFRS 9 (2013) in its financial statements, as these amendments are not effective until January 1, 2018.

ii. IFRS 15 – Revenue from Contracts with Customers

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

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

In December 2013, the IASB issued narrow-scope amendments to nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. Not all amendments to the nine standards are applicable to the Company's business. The amendments which may affect the Company now or in the future, based upon the Company's current operations, and the clarifications to the respective standards are as follows:

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

Special transitional requirements have been set for amendments to IFRS 2, IAS 16, and IAS 38. Most amendments apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2015. The Company does not expect the amendments to have a material impact on the financial statements.