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

Fiscal 2017 – Third Quarter
for the three and nine month periods ended January 31, 2017

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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 three and nine month periods ended January 31, 2017 and has been prepared with all information available up to March 15, 2017. The MD&A is intended to assist readers in understanding the dynamics of the Company's business and the key factors underlying its financial results. The Audit Committee of the Company approved the content of this MD&A on March 15, 2017.

This analysis should be read in conjunction with the unaudited condensed interim financial statements (the "Interim Financial Statements") and notes thereto for the three and nine month periods ended January 31, 2017. These Interim Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and with International Accounting Standard 34: Interim Financial Reporting.

All dollar amounts in this MD&A are expressed in Canadian dollars ("CAD") unless otherwise noted.

The Company's quarterly interim reports for fiscal 2017, Annual Financial Statements for the year ended April 30, 2016, and additional supplementary historic 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 actual events or results 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 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.

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;
- The continued advancement and positive outcomes from the Company's Phase 1 clinical trial with COTI-2, the Company's lead oncology drug candidate, in gynecological cancers that was in progress at the January 31, 2017 quarter-end;
- An ability to further enhance and add features to the CHEMSAS® technology or incorporate advances in artificial intelligence technologies for internal and collaborative purposes;
- An ability to obtain patent protection for the Company's compounds and other intellectual property;
- An ability to attract and retain skilled and experienced personnel and to support research and development; and,
- An ability to establish preferred supplier relationships with reputable and reliable third party clinical research organizations.

Table 1: Forward-looking Statements

MD&A Section Heading	Nature of Forward-looking Information Disclosed
Description of Business	• To pursue a targeted and transformational approach to treating cancer and other unmet medical needs • Plans to continue to use its CHEMSAS® platform to develop viable compounds • In support of an IND filing later in calendar 2017
Operational Progress and Outlook	• Will continue to inform investors as it advances with increasing dose levels of COTI02 towards identifying the maximum tolerated dose ("MTD") • Will initiate two expansion cohorts in ovarian cancer and squamous cell head and neck cancer once the MTD is determined; dosing patients expected in the second half of calendar 2017 • Work in close collaboration with MDACC and NWU to advance the Trial • Initiate dosing in a p53 basket study in second half of calendar 2017 • Will continue to enhance the quality of the informational content and utility of the ROSALIND™ report
Liquidity and Cash Resources	• Projects these cash resources will sustain operations into fiscal 2018 • Will secure additional financing to fund operations through the completion of the Phase 1 Trial • Investment in such items will continue as the Company builds upon and protects its CHEMSAS® process, ROSALIND™ technology, and molecules in development

MD&A Section Heading	Nature of Forward-looking Information Disclosed
Foreign Exchange Exposure	• Expectation of exposure to currency fluctuations resulting from clinical trial costs being undertaken with U.S.-based investigators and institutions
Industry and Economic Risk Factors Affecting Performance	• Realizing COTI's long-term potential will be through the successful development and commercialization of molecules discovered using the Company's drug discovery technology, CHEMSAS® • Will responsibly manage these activities in fiscal 2017 within its available cash resources • COTI continues to develop relationships with prospective customers and to selectively seek strategic licensing and collaboration opportunities • Will continue to seek strategic sources of financing to fund its operations in the interim • Positive results in the Phase 1 clinical trial of COTI-2 are expected to generate increased interest in potential licensing agreements for this drug candidate
Changes in Accounting Policies	• The Company does not expect the amendments to have a material impact on the financial statements

Management cautions the reader that there are many risk factors, including those specifically discussed later in the MD&A, which are of particular importance and actual results could differ materially from those expressed or implied in the FLS. As such, undue reliance should not be placed on any individual FLS.

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 Canadian-based company with offices in London, Ontario and Boston, Massachusetts. The Company was formed from an amalgamation on October 13, 2006, of Aviator Petroleum Corp., 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 amalgamated company adopted the name Critical Outcome Technologies Inc. and its common shares were listed for trading on the TSXV under the symbol COT on October 30, 2006.

On November 27, 2007, the Company acquired all the outstanding common shares in 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 originally identified 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 under the symbol COTQF.

Description of Business

COTI is a clinical stage biotech company that uses proprietary artificial intelligence ("AI") technologies to pursue a targeted and transformational approach to treating cancer and other unmet medical needs. It does so in two ways: on the molecule creation side, it uses its CHEMSAS® technology to accelerate the discovery and development of novel drug therapies, allowing it to build a pipeline of potential drug candidates faster and with a higher probability of success than traditional methods; and on the personalized medicine side, its ROSALIND™ platform is designed to take a patient's particular gene profile, assess it against the close to half a billion potential drug combinations, and identify a personalized subset of these drug combinations to assist the oncologist in prescribing the best therapies for that patient.

a) Pipeline

COTI-2

COTI-2 is the Company's lead oncology drug compound, which received investigational new drug ("IND") status from the United States Food and Drug Administration ("FDA") in May 2015. COTI-2 is an oral small molecule having a novel p53-dependent mechanism of action demonstrating selective and potent anti-cancer activity. A Phase 1 clinical trial with COTI-2 in gynecological cancers is currently in progress at the University of Texas, MD Anderson Cancer Center ("MDACC") in Houston, and the Lurie Cancer Center at Northwestern University ("NWU") in Chicago.

Extensive preclinical studies demonstrated COTI-2's ability to restore mutant p53 function and thus induce cancer cell death in many common p53 mutations. COTI-2 is being developed as an oral treatment for solid tumors; it is easily synthesized and has good *in vitro* and *in vivo* efficacy against multiple human cancers including small cell lung, non-small cell lung, brain, cervical, colon, endometrial, head and neck, ovarian, pancreatic, and triple negative breast. The Company secured orphan drug status for COTI-2 from the FDA for the treatment of ovarian cancer. The Company believes COTI-2's important protein target, low toxicity, effectiveness in preclinical studies when used in combination with approved drugs, and potential as an oral agent for long term outpatient therapy, supports a dramatic change in the treatment of susceptible cancers.

COTI-219

COTI declared its next clinical candidate, COTI-219, in October 2016. COTI-219 is a novel oral small molecule compound targeting the mutant forms of KRAS that was discovered using the Company's CHEMSAS® Technology. KRAS mutations occur in up to 30% of all cancers, particularly lung, colorectal, pancreatic and thyroid. COTI-219 targets the mutant forms of KRAS without inhibiting

wild-type (or normal) KRAS function, representing a tremendous unmet clinical need and a very desirable drug target.

COTI-219 is currently undergoing IND-enabling studies to support a regulatory submission by the end of calendar 2017.

Other Therapies

The Company continues to advance a robust pipeline of other novel therapies for the treatment of cancer and other unmet medical needs. Current targets include Acute Myeloid Leukemia ("AML"), Methicillin-resistant Staphylococcus aureus ("MRSA"), HIV and Alzheimer's disease.

b) CHEMSAS® Technology

The Company's proprietary AI platform, CHEMSAS®, identifies potential treatments for a broad range of cancers and serious diseases. CHEMSAS® is a computational platform that blends machine learning technologies and proprietary algorithms to more accurately predict biological activity from molecular structures. This technology accelerates the drug discovery process by identifying compounds with a higher probability of success for disease-specific targets.

The Company has built a pipeline of novel, proprietary, small molecules for specific disease targets with high morbidity and mortality rates, which currently have either poor or no effective therapies.

The Company plans to continue to use its CHEMSAS® platform to develop viable compounds to build its pipeline. It will consider licensing opportunities with other companies on a selective basis.

c) ROSALIND™ Technology

Currently in the validation phase of development, ROSALIND™ is a smart data platform for realizing the promise of personalized medicine for cancer patients. The goal of ROSALIND™ is to identify personalized treatment options based on the particular genetic profile of a patient's cancer, and provide these treatment options to the oncologist for consideration in treating their patient. The validation study aims to build a patient database of 100 individuals to evaluate the outcomes from the ROSALIND™ analysis and its report recommendations. Feedback from oncologists will be used to enhance the informational content and report utility.

Operational Progress and Outlook

a) Operations

The Company's focus in the third quarter of fiscal 2017 continued to be on the progression of its Phase 1 clinical trial for the investigation of COTI-2 as a treatment in patients with recurrent ovarian, fallopian tube, endometrial, or cervical cancer (the "Trial").

The Trial is designed primarily to assess the safety and tolerability of COTI-2 and, by identifying a maximum tolerated dose, determine a recommended dose for the expansion phase of the Trial as well as a recommended Phase 2 dose for future Phase 2 clinical trials.

The Company announced near the end of the quarter that it had begun dosing patients in Cohort 4 following the independent Dose Escalation Committee's review of the safety data from cohort three patients, and its unanimous approval to proceed.

The Trial is proceeding as expected and the Company will continue to inform investors as it advances with increasing dose levels towards identifying the maximum tolerated dose ("MTD"). During the quarter, the Company completed the regulatory requirements to initiate the two expansion cohorts once the MTD was determined. The expansion cohorts will include patients with p53 mutations in recurrent ovarian cancer, and recurrent squamous cell head and neck cancer. Dosing of patients is expected to begin in the second half of calendar 2017. The Company is encouraged by results to date and continues to work in close collaboration with MDACC and NWU to advance the Trial.

During the quarter, the Company continued its strategic efforts to broaden the number of oncology indications for COTI-2. This included further discussions with major research institutions in using COTI-2 for patients with recurrent squamous cell head and neck cancer ("HNSCC"), Li-Fraumeni Syndrome ("LFS"), a broad, cancer type-independent p53 basket study, and combination studies with currently approved oncology drugs. Dosing of patients in the p53 basket study is expected to begin in the second half of calendar 2017.

With respect to the Company's other lead candidate, COTI-219, further testing was done to work toward a definitive understanding of the mechanism of action. In October 2016, following extensive testing, the Company announced COTI-219 as a novel oral small molecule targeting the mutant forms of KRAS. KRAS mutations occur in many cancers and represent a tremendous unmet medical need, making for a highly desirable drug target. These mutations are detected in up to one-fourth of all human cancers, particularly lung, colorectal, pancreatic, and thyroid cancers. Selectively targeting the mutant forms of KRAS without inhibiting wild-type KRAS function has been the focus of intense research for over two decades with limited success. It is very encouraging that COTI-219, which is designed to be selective against the mutant form of KRAS, is shown to be efficacious in multiple pre-clinical tumor models. The data from these pre-clinical studies is very promising and the fact they were largely generated by world-renowned collaborators at prestigious cancer centers in the United States gives added confidence in the robustness and validity of the results. The Company believes COTI-219 has first-in-class potential and is planning an IND application submission in late calendar 2017.

The Company also advanced the development of its ROSALIND™ platform during the quarter, progressing through a validation study to build a 100-patient database reflecting the evaluation of outcomes from the ROSALIND™ analysis and its report recommendations. With feedback from oncologists, the Company will continue to enhance the quality of the informational content and utility of the report.

b) Financing

The Company realized approximately $90,000 in gross proceeds from the exercise of options during the quarter. Details are highlighted in "Liquidity and Cash Resources" where it is also noted that the Company will seek additional financing to fund operations in fiscal 2018. These funds will be used to advance several important strategic initiatives, with the primary objective being the advancement of the COTI-2 Trial. This funding is expected to come from a combination of sources but primarily:

i. the exercise of options and warrants; and,
ii. private or public financings with an emphasis on accredited and institutional investors.

The Company will also explore government funding, co-development project funding from interested partners, and strategic partnership agreements for COTI-2 or one of its other assets.

Any delays in the progression of the COTI-2 Trial will influence the timing of cash outflows and affect the timing of additional financing requirements.

c) Leadership Transition

The Board of Directors appointed Alison Silva as President and CEO of the Company effective January 1, 2017. This concluded a leadership succession plan that had been initiated over two years prior. Ms. Silva joined the Company as a director in May 2015 and became President in July 2016. Dr. Wayne Danter, the Company's founder and former CEO, resigned his position as the Chief Scientific Officer and as a member of the Board of Directors on January 30, 2017.

Analysis of Financial Results Third Quarter Fiscal 2017

Summary financial information for the three and nine month periods ended January 31, 2017 and 2016 (Q3-F'17, YTD-F'17 and Q3-F'16, YTD-F'16) is set out in Table 2.

Revenue

There was no revenue generated in the quarter or year to date for fiscal 2017, nor in the comparative periods. The Company incurred a loss of $1,238,427 or $0.01 per share in Q3-F'17 compared to a loss of $637,176 or $0.01 for Q3-F'16. Year to date the Company incurred a loss of $4,301,776 or $0.03 per share compared to a loss of $2,561,158 for YTD'F'16 or $0.02 per share.

Expenses

Operating expenses increased from $964,069 for Q3-F'16 to $2,037,461 for Q3-F'17, an increase of $1,073,392. Operating expenses increased by $2,266,298 from $2,836,722 in YTD-F'16 to $5,103,020 in YTD-F'17. This is primarily due to an increase in General and administration ("G&A") expense, and Research and product development ("R&D") expense. These increases were partially offset by a decrease in Sales and marketing ("S&M") expense and an increase in Investment tax credits earned.

Table 2 – Summary Financial Information – Second Quarter Comparatives

	Three months ended		Nine months ended		Q3 - F'17 Change	YTD - F'17 Change
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016		
Expenses (income):						
Research and product development	$ 684,011	$ 396,593	$ 2,040,810	$ 1,043,879	$ (287,418)	$ (996,931)
Sales and marketing	90,316	121,134	301,633	415,770	30,818	114,137
General and administration	1,299,909	474,931	2,876,519	1,434,600	(824,978)	(1,441,919)
Investment tax credits	(36,775)	(28,589)	(115,942)	(57,527)	8,186	58,415
	2,037,461	964,069	5,103,020	2,836,722	(1,073,392)	(2,266,298)
Loss before finance income (expense)	(2,037,461)	(964,069)	(5,103,020)	(2,836,722)	(1,073,392)	(2,266,298)
Finance income (expense):						
Interest and financing, net	10,346	2,480	34,399	7,602	7,866	26,797
Change in fair value of warrant liability	809,409	310,050	706,157	226,049	499,359	480,108
Foreign exchange gain	(20,721)	14,363	60,688	41,913	(35,084)	18,775
	799,034	326,893	801,244	275,564	472,141	525,680
Loss and comprehensive loss	$ (1,238,427)	$ (637,176)	$ (4,301,776)	$ (2,561,158)	$ (601,251)	$(1,740,618)
Loss per share:						
Weighted average shares outstanding	149,039,957	127,910,546	148,179,530	124,889,729		
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)		

a) R&D Expense

Table 3 shows R&D expense by major expense types for the comparable three and nine month fiscal periods ended January 31. The increase of $287,418 in R&D expense quarter over quarter and the increase of $996,931 year over year are primarily attributable to an increase in direct Clinical trial expenses. The Trial commenced in December 2015 and accordingly there were minimal direct expenses related to the Trial during the comparable prior periods. The major clinical trial expenses during the quarter included $102,481 paid or accrued for work conducted by the two clinical trial sites (YTD-F'17 $466,629) and $76,367 to the Trial Monitor (YTD-F'17 $222,850).

Table 3: R&D Expense – Comparative Periods Ended January 31

	Q3-F'17	Q3-F'16	Change
Clinical trial expenses	$ 213,499	$ 7,356	$ (206,143)
In vivo/in vitro testing	154,261	24,280	(129,981)
Synthesis and miscellaneous R&D expenses	23,456	103,979	80,523
	391,216	135,615	(255,601)
Salaries and benefits	203,438	165,823	(37,615)
Other	21,586	18,897	(2,689)
Professional fees	16,216	12,460	(3,756)
Drug development consulting	11,946	38,718	26,772
	644,402	371,513	(272,889)
Share-based compensation	39,609	25,080	(14,529)
Total	$ 684,011	$ 396,593	$ (287,418)

	YTD-F'17	YTD-F'16	Change
Clinical trial expenses	$ 808,734	$ 39,669	$ (769,065)
In vivo/in vitro testing	339,577	110,560	(229,017)
Synthesis and miscellaneous R&D expenses	115,133	163,854	48,721
	1,263,444	314,083	(949,361)
Salaries and benefits	546,618	424,262	(122,356)
Other	91,820	61,334	(30,486)
Professional fees	33,042	32,128	(914)
Drug development consulting	23,816	165,369	141,553
	1,958,740	997,176	(961,564)
Share-based compensation	82,070	46,703	(35,367)
Total	$ 2,040,810	$ 1,043,879	$ (996,931)

Other expense categories that affected results in the quarter and year to date included increases for *In vivo/in vitro* testing, and Salaries and benefits, which were partially offset by decreases in Synthesis and miscellaneous R&D expenses, and Drug development consulting.

The increase in *In vivo/in vitro* testing expenditures, quarter over quarter, and year over year, is due to further preclinical testing of COTI-2 and COTI-219. The studies on COTI-2 are targeted at deepening the understanding of the MOA on p53 mutations and the other cellular pathways affected by the drug and on new indications such as Li-Fraumeni Syndrome. Similarly, the studies of COTI-219 seek to provide clarity on the MOA and required IND-enabling studies to support a regulatory submission in late calendar 2017.

An increase in Salaries and benefits between the quarterly periods and year to date reflects salary increases to R&D personnel and the addition of a ROSALIND™ Project Manager in Q1-F'17.

The decrease in Synthesis and miscellaneous R&D expenses quarter over quarter, and the increase on a year to date basis, relate primarily to two expenses; the timing of expenditures for work being done on the Company's preclinical development project related to MRSA, and a decrease in synthesis expenses related to COTI-2 and COTI-219. On a year to date basis, approximately 48.3% of the fiscal 2016 synthesis expense related to the MRSA compounds compared to approximately 79.4% for fiscal 2017.

The decrease in Drug development consulting of $141,553 year to date reflects non-recurring expenditures in fiscal 2016 related to preparing for the Trial. Such costs were not incurred in fiscal 2017 as the Trial commenced in Q3-F'16.

The increase in Other expense year to date reflects increases in R&D conferences attended and the associated travel costs, intellectual property consulting, and the commencement of clinical trial liability insurance in September 2015.

b) G&A Expense

G&A expense increased $1,441,919 year over year with all expense categories increasing. Table 4 provides a breakdown of G&A expense by major expense types for the comparable three and nine month fiscal periods ended January 31.

The most significant increases occurred in Salaries and benefits, and Share-based compensation, which together accounted for 87.3% of the overall increase.

Pursuant to a planned leadership succession, the Company appointed a new President effective July 5, 2016 who was subsequently appointed President and CEO effective January 1, 2017. This appointment added considerable experience and capabilities to the management team. A Director, Resourcing and Operations was added effective January 3, 2017, to bring human resources expertise in-house and supplement the operational capacity of the management team. The compensation related to these changes is reflected in Salaries and benefits including a provision of approximately $106,000 for milestone bonuses and in Share-based compensation expense with $257,717 recognized year to date.

On January 30, 2017, the Company's founder and Chief Scientific Officer resigned his position with the Company and stepped down from the Board of Directors. Per his employment contract, the Company will pay salary continuation payments over a twenty-four month period, and accrued $600,000 in respect of this contractual term.

Table 4: G&A Expense – Comparative Periods Ended January 31

	Q3-F'17	Q3-F'16	Change
Salaries and benefits	$ 730,170	$ 65,898	$ (664,272)
Professional fees	116,234	87,356	(28,878)
Marketing and travel	54,392	24,814	(29,578)
Amortization	54,104	41,543	(12,561)
Corporate governance	29,333	58,443	29,110
Other	23,729	10,368	(13,361)
Rent	22,956	10,200	(12,756)
Insurance	22,134	19,239	(2,895)
	1,053,052	317,861	(735,191)
Share-based compensation	246,857	157,070	(89,787)
Total	$ 1,299,909	$ 474,931	$ (824,978)

	YTD-F'17	YTD-F'16	Change
Salaries and benefits	$ 1,192,417	$ 266,056	$ (926,361)
Professional fees	438,050	422,386	(15,664)
Amortization	165,940	165,571	(369)
Corporate governance	162,555	122,789	(39,766)
Marketing and travel	153,582	89,414	(64,168)
Insurance	54,868	47,807	(7,061)
Other	54,473	19,808	(34,665)
Rent	52,221	30,600	(21,621)
	2,274,106	1,164,431	(1,109,675)
Share-based compensation	602,413	270,169	(332,244)
Total	$ 2,876,519	$ 1,434,600	$ (1,441,919)

The increase in Corporate governance expense in the year to date comparisons related to three areas. First, additional non-recurring legal fees were incurred for the October 2016 Annual General Meeting ("AGM") to amend certain shareholder and governance documents. Second, the Company engaged a firm to provide corporate secretarial services previously managed in-house and by legal counsel. Finally, an additional director was appointed to the Board in fiscal 2017 and there was a change in the mix of cash and share-based compensation selected by certain directors that was also a major factor in the quarterly decrease year over year.

Professional fees increased in Q3-F'17 compared to Q3-F'16, primarily related to increases in accounting, human resource consulting, and legal fees, and were partially offset by lower investor relations consulting fees. This increase was consistent on a year to date basis.

The increase in Marketing and travel expense in the comparative periods primarily reflects increased travel costs associated with operational and business development activities.

Amortization increased in Q3-F'17 over Q3-F'16 primarily related to computer hardware, software and patents.

The increase in Other expense in the quarter and year to date comparisons relates to a patent abandonment expense, an increase in ROSALIND™ administrative costs, and an increase in computer infrastructure support.

The increase in Rent expense in the quarter and year to date is due to opening a Boston office in August 2016.

S&M Expense

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

Table 5: S&M Expense – Comparative Periods Ended January 31

	Q3-F'17	Q3-F'16	Change
Professional fees	$ 22,500	$ 80,640	$ 58,140
Marketing and travel	59,434	35,349	(24,085)
Salaries and benefits	8,250	4,588	(3,662)
Other	132	557	425
Total	$ 90,316	$ 121,134	$ 30,818

	YTD-F'17	YTD-F'16	Change
Professional fees	$ 183,186	$ 271,323	$ 88,137
Marketing and travel	102,038	114,732	12,694
Salaries and benefits	15,797	15,915	118
Other	612	1,667	1,055
	301,632	403,637	102,005
Share-based compensation	-	12,133	12,133
Total	$ 301,632	$ 415,770	$ 114,138

The decrease in Professional fees for the quarter and year to date comparisons relates to bringing business development activities in-house rather than using consultants.

Overall Marketing and travel expenses within the Company have increased as highlighted in G&A Expense with a decrease year to date being reflected in S&M expense. This overall increase reflects the increased focus on business development and operational activities managed internally during fiscal 2017 compared to the prior year.

Share-based compensation decreased year to date compared to the prior year, as there were no share options awarded to a business development consultant in the current year.

c) Investment Tax Credits ("ITC")

The ITC income increase of $8,186 in Q3-F'17 compared to Q3-F'16 and the increase of $58,415 for the year to date comparisons related to more R&D expenditures qualifying for refundable ITC compared to the prior periods. This increase in eligible R&D expenditures is consistent with the higher R&D spending noted above.

d) Interest and Financing

The increase in interest income in Q3-F'17 and YTD-F'17 compared to the prior year periods related primarily to the substantially higher cash, cash equivalents, and investments held by the Company during the comparable periods.

e) Change in Fair Value of Warrant Liability

Under IFRS, the warrant liability must be revalued at each reporting period. For Q3-F'17 this resulted in a significant decrease in this non-cash expense compared to Q2-F'17. The change in key assumptions for the Q3-F'17 period compared to Q2-F'17 and Q1-F'17 were substantial as shown in Table 6 below, and had significant impact on the change in fair value of the warrant liability recorded at each quarter end.

Table 6: Key Assumptions of Warrant Liability Remeasurement

	Model Key Assumption	Q3-F'17	Q2-F'17	Q1-F'17
1	Estimated volatility	43.62 – 45.16%	48.07 – 50.39%	49.79 - 50.39%
2	USD-CAD foreign exchange rate	1.3031	1.3408	1.3043
3	Estimated life in years	2.68 – 2.78	2.84 – 2.94	2.81 – 2.88
4	Market price in CAD	$0.45	$0.55	$0.66
5	Exercise price in USD	$0.34	$0.34	$0.34
6	Fair value adjustment	809,409	$ (949,218)	$ 1,052,470

f) Foreign Exchange Gain

The foreign exchange loss of $35,084 in the quarter compared to Q3-F'16 and the increase of $18,775 for YTD-F'17 compared to YTD-F'16 related to fluctuations in the CAD/USD exchange rates between the comparative periods and higher USD cash balances carried than in the comparative prior periods. The higher USD cash resources relate to the closing of a USD $1.1m private placement in Q4-F'16.

Financial Results Two Year Quarterly Summary

Table 7 summarizes the financial results of the Company by quarter for the past two fiscal years.

Table 7: Summary of Quarterly Financial Results [(1)]

FYE 2017	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(2,315,063)	(748,286)	(1,238,427)	-	(4,301,776)
Loss per common share	$ (0.02)	$ (0.01)	$ (0.01)	$ -	$ (0.03)

FYE 2016	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(985,120)	(938,860)	(637,176)	(2,363,271)	(4,924,427)
Loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.04)

FYE 2015	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(970,796)	(946,204)	(949,503)	(946,683)	(3,813,186)
Loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.04)

(1) The Loss per common share calculated is for both basic and diluted earnings per share.

Two functional expense categories, General and administration, and Research and product development, as set out in Table 8, explain the majority of the variation in the Company's operational expenses by quarter across the two years and quarterly year over year. G&A expense peaked in the first quarter of fiscal 2015 and declined through the balance of that year and then increased in the first three quarters of fiscal 2017 primarily related to changes in the management team. R&D expense decreased sharply in the first quarter of fiscal 2015 with the completion of the 28-day two-species toxicity testing for COTI-2 and then increased over the succeeding quarters as work continued toward the completion of an IND filing for COTI-2. This similar trend occurred in fiscal 2016 and 2017.

In addition to these categories, the non-cash expense item, Change in fair value of warrant liabilities, which appears in the finance income (expense) section of the Financial Statements, is a major factor in the significant swings in the loss reported over the period Q3-F'16 through Q3-F'17. This fair value adjustment resulted in non-cash expense of $1,052,470 in Q1-F'17, $(949,218) in Q2-F'17, and $809,409 in Q3-F'17. See section (f) of the "Analysis of Financial Results First Quarter Fiscal 2017" for more information.

Table 8: Selected Quarterly Expense Categories (1)

FYE 2017	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
General and administration	$ 553,889	$ 667,165	$ 1,053,052	$ -	$ 2,274,106
Research and product development	597,843	716,495	644,402	-	1,958,740
Share-based compensation	116,171	281,847	286,466	-	684,484
Total of expense categories	1,267,903	1,665,507	1,983,920	-	4,917,330
Total expense for the quarter	$ 1,330,945	$ 1,734,613	$ 2,037,461	$ -	$ 5,103,019
Expense categories as a % of total expense	95.3%	96.0%	97.4%	-	96.4%

FYE 2016	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
General and administration	$ 400,302	$ 446,267	$ 317,861	$ 479,325	$ 1,643,755
Research and product development	287,773	337,889	371,513	445,747	1,442,922
Share-based compensation	77,834	69,021	182,150	99,879	428,884
Total of expense categories	765,909	853,177	871,524	1,024,951	3,515,561
Total expense for the quarter	$ 902,865	$ 969,786	$ 964,069	$ 1,084,095	$ 3,920,815
Expense categories as a % of total expense	84.8%	88.0%	90.4%	94.5%	89.7%

FYE 2015	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
General and administration	$ 693,846	$ 512,570	$ 418,373	$ 434,705	$ 2,059,494
Research and product development	234,841	355,101	345,520	397,111	1,332,573
Share-based compensation	24,928	28,860	165,626	86,081	305,495
Total of expense categories	953,615	896,531	929,519	917,897	3,697,562
Total expense for the quarter	$ 1,018,907	$ 987,533	$ 980,702	$ 968,477	$ 3,955,619
Expense categories as a % of total expense	93.6%	90.8%	94.8%	94.8%	93.5%

(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 the functional expense categories in the financial statements has been removed from the functional disclosure and shown separately in this table.

The variability in the comparable year over year quarters is primarily due to increased spending in R&D activities through fiscal 2016 and into fiscal 2017, and for G&A expenses in the first three quarters of fiscal 2017 compared to fiscal 2016. The increase in Share-based compensation in the third quarter of each fiscal year reflects the timing of share option awards typically granted at the October Board of Directors meeting following the Annual General Meeting.

Liquidity and Cash Resources

The Company's cash resources include cash, cash equivalents, and investments. Table 9 summarizes the changes in cash resources for Q3-F'17 and Q3-F'16. At the end of Q3-F'17, the Company had cash resources of $3,398,309 compared to $1,747,885 at Q3-F'16, reflecting an increase of $1,650,424. The difference year over year primarily reflects the cash proceeds from a private placement closed on March 29, 2016, for gross proceeds of USD $1.1m (CAD $1,452,331), the exercise of warrants expiring in March, April, and June of 2016, and the exercise of options in September, October, and December of 2016.

Table 9: Summary of Changes in Cash Resources (1)

	Q3-F'17	Q3-F'16
Used in:		
Operating activities	$ (3,236,679)	$ (2,780,999)
Investing activities	61,287	(85,771)
Decrease in cash resources before financing activities	(3,175,392)	(2,866,770)
Proceeds from issuance of common shares and warrants	1,848,792	2,722,861
Proceeds from settlement of warrant liability	32,786	-
Costs of issuance common shares and warrants	(2,484)	(90,498)
Investment tax credit recoveries	83,715	116,323
Interest paid	(1,613)	(3,672)
Increase (decrease) in cash resources	(1,214,196)	(121,756)
Less: unrealized foreign exchange loss on cash resources	32,398	3,957
Cash resources - beginning of period	4,580,107	1,865,684
Cash resources - end of period	$ 3,398,309	$ 1,747,885

(1) See Use of Non-GAAP Financial Measures.

The Company projects these cash resources will sustain operations into fiscal 2018. The Company will seek additional financing to fund operations through the completion of the Phase 1 Trial, which is expected to continue through much of fiscal 2018.

Financing Activities

The Company realized net proceeds of $1,756,733 from financing during the first two quarters of F'2017 from the exercise of Common share purchase warrants, compensation warrants and option exercises.

During Q3-F'17, financing was obtained through the exercise of 300,000 share options at a price of $0.30 per common share for net proceeds of $89,576.

Future Financing

At January 31, 2017, the Company has 22,163,113 warrants outstanding as set out in Table 15, "Outstanding Share Information". All of these warrants were in-the-money at that date. Certain warrants contain a trigger provision that permits the Company to accelerate the expiry date to 21 days based on the performance of the underlying common shares. Any warrants not exercised during this reduced exercise period will expire.

Management believes that continued achievement of milestones, particularly in the development of COTI-2 and the advancement of COTI-219 toward an IND filing, will enable the Company to generate funding from the exercise of outstanding warrants in fiscal 2018. Table 10 sets out the warrants outstanding, with and without a trigger provision, and the potential gross proceeds from their exercise.

Table 10: Summary of Outstanding Warrants and Potential CAD Proceeds

Price	Warrants	CAD Proceeds
Trigger	18,393,883	$ 7,748,614
No trigger	3,769,230	941,684
	22,163,113	$ 8,690,298

Table 11 sets out the market prices at which the trigger prices would be reached, allowing management to use its discretion to accelerate the exercise period.

Table 11: Warrants with Accelerated Expiry Dates and Estimated Trigger Prices

	Exercise Price	Exercise Currency	# of Warrants	[(1)] Estimated Trigger Price	CAD Proceeds
Compensation Warrants	$ 0.29	CAD	162,811	$ 0.8700	$ 47,215
Compensation Warrants	$ 0.315	CAD	96,120	$ 0.9450	30,278
Compensation Warrants [(1)]	$ 0.26	USD	460,739	$ 1.0149	155,874
Warrants	$ 0.38	CAD	5,519,925	$ 1.1400	2,097,572
Warrants	$ 0.42	CAD	2,144,267	$ 1.2600	900,592
Warrants [(1)]	$ 0.34	USD	10,010,021	$ 1.3272	4,517,084
Totals			18,393,883		$ 7,748,614

Note: [(1)] These estimated trigger prices were calculated based upon the closing price of the USD-CAD exchange rate at January 31, 2017. These trigger prices will vary based upon fluctuations in this conversion rate.

As the extent and timing of warrant exercises is uncertain, the Company continues to look at alternative financing sources to support operations going forward. The current focus is on private placements with accredited and institutional investors as well as access to non-dilutive capital through the pursuit of strategic partnering opportunities.

Investing Activities

Investing activities in YTD-F'17 totaled $118,823 consisting of $12,758 in computer equipment (YTD-F'16 – $23,872), and $100,532 in patent costs (YTD-F'16 – $52,680). Investment in such items will continue as the Company builds upon and protects its CHEMSAS® process, ROSALIND™ technology, and molecules in development.

The Company conducts periodic reviews of its tangible and intangible assets for impairment indicators associated with these assets. There were no impairment indicators identified during the quarter that required a reduction in the carrying value of these assets.

Working Capital

The Company had Adjusted Working Capital at Q3-F'17 of $2,485,270 compared to $4,602,044 at FYE-2016 (see Table 17). The Company defines Adjusted Working Capital as the standard working capital calculation adjusted for non-cash liabilities. This definition is a non-GAAP financial measure, does not have a prescribed meaning under IFRS, and therefore may not be comparable to similarly described measures by other issuers. Further details can be found in Use of Non-GAAP Financial Measures.

Cash equivalents are invested in money market instruments with maturities of three months or less. Details of investments that can be readily converted into cash appear in Table 12.

Table 12: Summary of Investments

Investment description	Fiscal Year of Maturity	Effective Interest Rate	Cost	Unrealized Gain / (Loss)	Fair Value
Guaranteed investment certificates	2017-18	0.95 - 1.40%	$ 1,718,000	$ 13,954	$ 1,731,954
Canadian provincial government USD stripped bonds	2018-20	1.04 - 1.82%	698,547	7,628	706,175
Total			$ 2,416,547	$ 21,582	$ 2,438,129

Current assets decreased to $4,080,544 at Q3-F'17 from $5,431,410 at the FYE-2016 for a decrease of $1,350,866, primarily due to a decrease in Cash Resources. Current liabilities increased $326,965 to $3,279,349 at Q3-F'17 from $2,952,384 at the FYE-2016 primarily due to an increase of $1,065,908 in accounts payable and accrued liabilities offset by a decrease in warrant liability of $738,943. The increase in accounts payable and accrued liabilities primarily related to an increase in R&D accruals related to the Trial, and executive bonus and salary continuation accruals mentioned earlier.

The Company's exposure to fluctuations in the recoverability of its financial assets is limited and the short-term, liquid nature of these investments results 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 their carrying values.

The Company has commitments at January 31, 2017 to pay for the completion of work primarily under research and development contracts related to the COTI-2 Trial. The Company currently expects the in-patient dose escalation portion of the Trial to conclude in fiscal 2018 and the in-patient expansion phase of the Trial as well as the full Trial follow-up period to conclude in fiscal 2019. The estimated timing of payments related to the Company's commitments is set out below.

Table 13: Contract Commitments

	Fiscal Years ending April 30			
	2017	2018	2019	Total
COTI-2:				
Clinical trial costs	$ 229,528	$ 924,167	$ 376,489	$ 1,530,184
Other preclinical	65,017	90,719	14,462	170,197
	294,545	1,014,886	390,951	1,700,381
Other molecules	112,491	-	-	112,491
Other non-R&D consulting contracts	75,000	300,000	225,000	600,000
Total	$ 482,036	$ 1,314,886	$ 615,951	$ 2,412,872

Off-Balance Sheet Arrangements

The Company does not utilize any off-balance sheet instruments.

Foreign Exchange Exposure

The Company has R&D contracts denominated in foreign currencies, primarily in USD, with some contracts in CHF. As a result, the Company has currency risk from fluctuations in exchange rates between the CAD and such currencies. The Company considers its foreign exchange exposure to be insignificant.

During Q3-F'17, the Company's foreign exchange exposure was related primarily to the USD with some modest exposure to CHF. The Company raised USD $1.1m in financing in March 2016, which provides some natural hedging against its future USD expenditures.

The Company has incurred an unrealized foreign exchange gain from investing the proceeds of the March 2016 financing, which is a major part of the gain reflected at the quarter-end and year to date.

As for future exposure, the Company has warrants outstanding and exercisable at USD prices that could generate USD proceeds to the Company. While foreign exchange rates could cause some fluctuation in the Company's operating results and cashflows, management does not expect this will have a material impact on operations.

The Company's foreign currency exposure is set out in Table 14 below. Excluding the currency impact of the warrant liability, which is a liability, not settled in cash, a 5% strengthening of the CAD against the USD at January 31, 2017 would have increased the Company's loss by approximately $13,000. A 5% weakening of the CAD against the USD would have an equal but opposite effect assuming all other variables remain constant.

Table 14: Foreign Exchange Balances Held

As at January 31, 2017	CAD	USD	Other	Total
Cash and cash equivalents	$ 904,411	$ 55,641	$ 128	$ 960,180
Investments	1,740,473	697,656	-	2,438,129
Other receivables	336	-	-	336
Accounts payable and accrued liabilities	(1,028,562)	(525,455)	(18,312)	(1,572,329)
Warrant liability	-	(1,384,075)	-	(1,384,075)
Long-term accrued liability	(300,000)	-	-	(300,000)
	$ 1,316,658	$ (1,156,233)	$ (18,184)	$ 142,241

Related Party Transactions

Material transactions with related parties during Q3-F'17 were in the ordinary course of business as follows:

a) an award of 1,800,000 share options to senior management as compensation under their employment contracts (note 11);

b) the conclusion of a contract with a human resource consulting firm at the end of December 2016. The President of the consulting firm was related to a director of the Company. Fees and expenses paid or accrued for services rendered in the quarter were $21,803 (January 31, 2016 – $8,750) and $70,290 for the nine month period (January 31, 2016 – $21,050); and,

c) an accrual of $600,000 in compensation to be paid in equal amounts over twenty-four months upon the Company Founder's resignation from his position as the Chief Scientific Officer and as a member of the Board of Directors on January 30, 2017.

At January 31, 2017, there were directors' fees payable of $20,177 (January 31, 2016 – $1,580) and accrued salaries, benefits, and outstanding vacation pay owing to executive officers of $230,867 (January 31, 2016 – $81,319).

Outstanding Share Information

Outstanding share information at the close of business on March 14, 2017 is set out in Table 15.

Table 15: Outstanding Share Information

	Outstanding	Expiry Date
Common shares		
Authorized - unlimited		
Issued	149,158,435	
Diluted [(1)]	183,031,020	
Weighted average outstanding [(2)]	148,311,827	
Common share warrants [(3)]		
$0.42 warrants	2,144,267	Jun 28 - Jul 30/17
$0.315 compensation warrants	96,120	Jun 28 - Jul 30/17
$0.38 warrants	2,420,551	Mar 29/18
$0.26 warrants	769,230	Feb 4/19
$0.19 USD compensation warrants	3,000,000	Apr 11 - Jun 6/19
$0.34 USD warrants [(3)]	10,010,021	Oct 16 - Nov 24/19
$0.26 USD compensation warrants	460,739	Oct 16 - Nov 24/19
$0.38 warrants	3,099,374	Dec 18/19 - Feb 16/20
$0.29 compensation warrants	162,811	Dec 18/19 - Feb 16/20
	22,163,113	
Common share stock options		
$0.14 - $0.25	2,561,098	Sep 9/17 - Mar 19/20
$0.26 - $0.50	5,794,910	Oct 21/19 - Mar 1/22
$0.51 - $0.72	3,353,464	Jul 4/21 - Jul 16/21
	11,709,472	

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

[(2)] Weighted average shares outstanding calculated from May 1, 2016 to the close of business on Mar 14, 2017.

[(3)] See Use of Non-GAAP Financial Measures

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 for companies in this industry. However, success in this industry can be highly rewarding. COTI became a clinical stage company in Q3-F'16 upon initiating a Phase 1 trial for COTI-2. COTI's long-term potential will be realized through the successful development and commercialization of molecules discovered using the Company's drug discovery technology, CHEMSAS®.

The major industry and economic risk factors most significant to the Company are discussed below.

a) Going Concern Risk

The Company's goals for fiscal 2017 include advancing the Phase 1 COTI-2 trial, conducting the required development activities to progress COTI-219 to an IND application submission in late calendar 2017, continuing internal pipeline expansion work, completing the validation phase of its ROSALIND™ platform and other objectives as resources permit. As with most early-clinical-stage biotech companies, COTI has not yet established any operating revenue to fund operations and therefore operating cash flows continue to be negative. The material uncertainties discussed under "Liquidity and Cash Resources" and highlighted in note 3 of the Interim Financial Statements identify the risk associated with raising sufficient funds for the Company to accomplish its goals.

The Company is actively pursuing financing and strategic opportunities as described under Financing above. The Company has discretion with many of its expenditure activities and will responsibly manage these activities in fiscal 2017 within its available cash resources. While the Company has a successful history of obtaining required financing and has no reason to believe it will not continue to do so, there is no certainty that sufficient funding can be obtained to alleviate the going concern risk in future periods.

b) Uncertainties Related to Research

Like other biotech and pharmaceutical companies, COTI's research programs may not lead to desired results. In addition, the timeframe for obtaining test results may be longer than planned or may not be possible given time, resources, and other constraints. Success in one stage of testing is not necessarily an indication of success 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 will prove safe, effective, and suitable for human use.

c) Clinical Trial Risks

Clinical trials are expensive and carry several risks, including:

a) the requirements of government authorities that regulate the advancement of drug candidates through the testing and approval stages;

b) the requirements of clinical investigator institutions;

c) the potential failure to achieve the targeted safety and efficacy endpoints of the specific trial;

d) the potential suspension of a clinical trial by regulatory officials due to unacceptable health risks;

e) the substantial periods of time necessary to complete the trial that cannot be easily predicted or controlled due to unknown or unexpected events involving patients and other external factors;

f) the potential for failure at any stage of the trial due to unacceptable toxicities or other unforeseen safety issues;

g) the potential for problems that cause the Company to repeat some or all parts of a trial, amend the trial protocol, or abandon the trial; and,

h) a slower than expected patient enrollment rate.

In summary, clinical trials may fail at various stages and for a multitude of reasons, which could have severe consequences for the business.

d) Lack of Revenues

The revenue cycle for drug development is long; typically 5 to 10 years depending when monetization of the asset occurs. COTI continues to develop relationships with prospective partners and to selectively seek strategic licensing and collaboration opportunities. The Company has not entered into a licensing agreement to date and will assess the merits of doing so opportunistically, with a view to its strategic plan. The continued development of COTI-2 and the resulting human test data for toxicity and efficacy are important elements of potential licensing or partnership deals. Operating losses will continue until future revenues are sufficient to fund continuing operations. COTI is unable to predict when it will become profitable, or the extent of any future losses or profits. The Company will continue to seek strategic sources of financing to fund its operations in the interim.

e) Securing Adequate Licensing Agreements

Securing licensing agreements is one avenue for the Company to commercialize its products. Positive results in the Phase 1 clinical trial of COTI-2 are expected to generate increased interest in potential licensing agreements for this drug candidate. Despite positive test results, there is no certainty that licensing deals can be negotiated for COTI-2 or COTI's other compounds. There is also no certainty that COTI can obtain licensing terms that are acceptable or that indicate a commercially viable market for its products.

f) Access to Capital

COTI continually monitors its Cash Resources to support its R&D programs. In "Liquidity and Cash Resources", the Company noted the need for additional financing to fund operations while it is pre-revenue. If sufficient financing cannot be obtained on a timely basis, COTI may have to delay, reduce or eliminate one or more of its R&D programs or obtain funds on less favourable terms. While prior financing efforts have been successful, there can be no assurance additional funding will be obtained.

g) Foreign Currency Risk

The Company is exposed to some foreign currency risk primarily related to the USD and to a lesser extent the EUR, GBP and CHF. The Company's clinical trial is being conducted at U.S. sites that are paid for their services in USD. The Company also holds USD investments. While having both USD assets and liabilities provides some natural hedging to this exposure, it is not a formal hedge program matching such exposure. To date, the Company has not engaged in a formal hedge program related to its foreign currency risk due to the limited exposure.

Use of Non-GAAP Financial Measures

Management used two non-GAAP financial measures, Cash Resources, and Adjusted Working Capital, to supplement information in this MD&A. These non-GAAP measures do not have a standardized meaning prescribed under IFRS and may not be comparable to similar measures presented by other issuers.

a) Cash Resources

The Company looks at its available cash for operations based on all Cash Resources, which it defines as cash, cash equivalents, and investments. This differs from IFRS disclosure in the Company's financial statements where Cash is defined as cash and cash equivalents. The difference is the inclusion of investments as "cash available for operations". The investments held by the Company at Q3-F'17 are relatively readily-cashable guaranteed investment certificates and government bonds, so the Company treats them for management purposes as Cash Resources. Accordingly, management believes the inclusion of the investments as part of Cash Resources provides more meaningful information related to the liquidity of the Company, and the cash available for operations.

Table 16: Reconciliation to Cash

	January 31, 2017		April 30, 2016	
	Cash per MD&A	Cash per Financial Statements	Cash per MD&A	Cash per Financial Statements
Cash and cash equivalents	$960,180	$960,180	$2,141,978	$2,141,978
Short-term investment	2,438,129	-	2,587,946	-
Cash	$3,398,309	$960,180	$4,729,924	$2,141,978

b) Adjusted Working Capital

The Company uses Adjusted Working Capital to monitor and review cash required for operations. Adjusted Working Capital is defined as the standard working capital calculation adjusted for non-cash liabilities as set out in Table 17.

The standard working capital calculation results in a lower amount of working capital than what the Company measures as working capital. The Company uses Adjusted Working Capital to remove the accounting treatment of warrants issued with an exercise price in USD being accounted for as a liability in accordance with IFRS accounting principles.

For clarity, the warrant liability represents warrants denominated with a USD exercise price which, if exercised, will bring in cash to the Company and accordingly represents a "liability not settled in cash". Thus, Adjusted Working Capital reflects a more accurate view of the Company's working capital position as it relates to liabilities where the Company has an actual legal expectation to issue cash in settlement.

Table 17: Adjusted Working Capital

	January 31, 2017	April 30, 2016
Amounts per financial statements:		
Current assets	$4,080,544	$5,431,410
Current liabilities	2,979,349	2,952,384
Working capital	1,101,195	2,479,026
Adjustment for non-cash items:		
Warrant liability	1,384,075	2,123,018
	$2,485,270	$4,602,044

c) Common Share Warrants Outstanding

The Company discloses warrants accounted for as Warrant liability under IFRS as part of its outstanding warrant information when disclosing the components required in setting out its Outstanding Share Information (see discussion under Adjusted Working Capital). This presentation is made for two reasons; first, upon exercise of these warrants the Company will issue shares in settlement of this liability, which will form part of future share capital and accordingly is of relevance in reviewing the future share structure and potential dilution for existing and potential investors as reflected in the number of shares outstanding if all were fully exercised; and, second, the exercise of these warrants will provide cash to the Company to fund operations, consistent with the exercise of warrants accounted for as part of share capital, were it not for these warrants having been issued with an exercise price in USD.

Table 18: Reconciliation of Common Share Warrants Outstanding

	January 31, 2017		April 30, 2016	
	Outstanding warrants per MD&A	Outstanding warrants per Financial Statements	Outstanding warrants per MD&A	Outstanding warrants per Financial Statements
Warrants included in total share capital	12,153,092	12,153,092	17,754,918	17,754,918
Warrants included in warrant liability	10,010,021	-	10,117,021	-
Total outstanding warrants	22,163,113	12,153,092	27,871,939	17,754,918

Changes in Accounting Policies

a) Adoption of new accounting pronouncements:

The IASB issued new standards and amendments or interpretations to existing standards that were effective for the Company's fiscal year beginning May 1, 2016. There was one standard applicable to the Company's operations:

(i) IAS 1, Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments were effective for annual periods beginning on or after January 1, 2016. The Company adopted these amendments in its interim financial statements for the annual period beginning on May 1, 2016, as required. These amendments did not result in any significant change to current practice and did not have a material impact on these interim financial statements.

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, 2017 year-end. The new or amended standards that may affect the Company for the financial reporting year ended April 30, 2018, are set out below. The Company does not expect the amendments to have a material impact on the financial statements.

(i) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39 – Financial Instruments: recognition and measurement standard. IFRS 9 includes revised guidance on the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2018. Management is assessing the impact of this standard on its financial statements.

(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 most revenue types from contracts with customers. IFRS 15 also provides guidance related to the treatment of contract acquisition and contract fulfillment costs. 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 Company is presently pre-revenue and is evaluating the standard in light of the types of revenue that are anticipated.