Critical Outcome Technologies Inc.

Unaudited Condensed Interim Financial Statements
Fiscal 2017 - Second Quarter

For the three and six months ended October 31, 2016 and 2015

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Notice of No Audit or Review of Condensed Interim Financial Statements

The accompanying Interim Statements of Financial Position as at October 31, 2016 and April 30, 2016, of Critical Outcome Technologies Inc., and the Interim Statements of Comprehensive Loss for the three and six month periods ended October 31, 2016 and 2015, and the Interim Statements of Changes in Equity, and the Interim Statements of Cash Flows for the six month periods ended October 31, 2016 and 2015, have been prepared by, and are the responsibility of the Company's management and have been reviewed and approved by the Audit Committee as authorized by the Board of Directors.

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

Critical Outcome Technologies Inc.

Interim Statements of Financial Position

(All amounts in Canadian dollars)
(Unaudited)

As at		**October 31, 2016**		**April 30, 2016**
Assets				
Current assets:				
Cash and cash equivalents	$	1,577,019	$	2,141,978
Investments (note 6)		2,859,570		2,587,946
Investment tax credits and other receivables		257,743		154,684
Prepaid expenses and deposits		490,051		546,802
		5,184,383		5,431,410
Non-current assets:				
Equipment (note 7)		49,706		54,635
Intangible assets (note 8)		1,332,671		1,377,215
		1,382,377		1,431,850
Total assets	$	6,566,760	$	6,863,260
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,338,213	$	829,366
Warrant liability (note 9)		2,193,484		2,123,018
		3,531,697		2,952,384
Shareholders' equity		3,035,063		3,910,876
Total liabilities and shareholders' equity	$	6,566,760	$	6,863,260

Going concern (note 3)
Commitments (note 14)
Subsequent event (note 16)

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Comprehensive Loss

(All amounts in Canadian dollars)
(Unaudited)

	Three months ended October 31, 2016	Three months ended October 31, 2015	Six months ended October 31, 2016	Six months ended October 31, 2015
Expenses (income):				
Research and product development	$ 742,594	$ 348,564	$ 1,356,799	$ 647,286
Sales and marketing	107,715	137,568	211,317	294,636
General and administration	922,913	504,613	1,576,610	959,669
Investment tax credits	(38,609)	(20,958)	(79,167)	(28,938)
	1,734,613	969,787	3,065,559	1,872,653
Loss before finance income (expense)	(1,734,613)	(969,787)	(3,065,559)	(1,872,653)
Finance income (expense):				
Interest and financing, net	11,920	3,022	24,053	5,123
Change in fair value of warrant liability (note 9)	949,218	24,575	(103,252)	(84,001)
Foreign exchange gain	25,189	3,329	81,409	27,550
	986,327	30,926	2,210	(51,328)
Loss and comprehensive loss	$ (748,286)	$ (938,861)	$ (3,063,349)	$ (1,923,981)
Loss per share:				
Weighted average shares outstanding	148,590,846	126,384,034	147,749,317	123,379,192
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Changes in Shareholders' Equity

(All amounts in Canadian dollars)
(Unaudited)

For the six months ended October 31, 2016

	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2016	$ 29,152,856	$ 1,437,727	$ 30,590,583	$ 4,008,051	$ (30,687,758)	$ 3,910,876
Share-based compensation (note 11)	-	-	-	398,018	-	398,018
Share option exercises (note 10 (c))	256,431	-	256,431	(105,855)	-	150,576
Warrant exercises (note 10 (a))	1,833,290	(273,582)	1,559,708	-	-	1,559,708
Warrant liability settlements (note 10 (b))	79,234	-	79,234	-	-	79,234
Loss and comprehensive loss	-	-	-	-	(3,063,349)	(3,063,349)
Balance, October 31, 2016	$ 31,321,811	$ 1,164,145	$ 32,485,956	$ 4,300,214	$ (33,751,107)	$ 3,035,063

For the six months ended October 31, 2015

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

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Cash Flows

(All amounts in Canadian dollars)
(Unaudited)

For the six months ended	October 31, 2016	October 31, 2015
Cash provided by (used in):		
Operating activities:		
Loss	$ (3,063,349)	$ (1,923,981)
Items not involving cash:		
Amortization - equipment	14,695	8,722
Amortization - intangible assets	97,141	115,305
Loss on disposal of patents	13,250	1,297
Share-based compensation	398,018	146,855
Change in fair value of warrant liability	103,252	84,001
Investment tax credits	(79,167)	(28,938)
Interest and financing expense, net	(24,053)	(5,123)
Unrealized (gain) on market value of investments	(56,474)	-
Foreign exchange (gain)	(81,409)	(27,550)
	(2,678,096)	(1,629,412)
Change in non-cash operating working capital (note 13)	509,804	(37,105)
Foreign exchange gain realized	47,527	61,939
Interest received	24,230	7,219
Net cash (used in) operating activities	(2,096,535)	(1,597,359)
Investing activities:		
Purchase of investments	(215,150)	(653,378)
Purchase of equipment	(9,766)	(19,772)
Expenditures on intangible assets	(65,847)	(49,071)
Net cash (used in) investing activities	(290,763)	(722,221)
Financing activities:		
Proceeds from issuance of common shares and warrants	1,758,792	2,213,960
Costs of issuing common shares and warrants	(2,060)	(90,258)
Proceeds from settlement of warrant liability	32,786	-
Interest paid	(1,061)	(2,453)
Net cash provided by financing activities	1,788,457	2,121,249
Decrease in cash and cash equivalents	(598,841)	(198,331)
Effect of exchange rate fluctuations on cash and cash equivalents	33,882	(34,389)
Cash and cash equivalents, beginning of the period	2,141,978	1,599,220
Cash and cash equivalents, end of the period	$ 1,577,019	$ 1,366,500
Represented by:		
Cash	$ 195,107	$ 521,101
Cash equivalents	1,381,912	845,399
	$ 1,577,019	$ 1,366,500

See accompanying notes to interim financial statements

1. Corporate information:

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

2. Description of Business:

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

The Company's initial focus is in advancing the treatment of cancer with the Company's lead compound, COTI-2, having a novel p53-dependent mechanism of action demonstrating selective and potent anti-cancer activity. The initial therapeutic indication for COTI-2 is in gynecologic cancers, which includes ovarian, cervical, and endometrial cancers. COTI-2 was granted orphan drug status for the ovarian indication in the U.S. and commenced a Phase 1 clinical trial in December 2015.

3. Going concern:

The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize on its assets and discharge its liabilities and commitments in the normal course of operations. For COTI, there are material uncertainties related to certain conditions and events that raise significant doubts about the Company's ability to continue as a going concern. In particular, the Company has not yet established operating revenues and operating cash flows continue to be negative. Key financial results for the six months ended October 31, 2016 are indicative of concern. These results include a loss of $3,063,349 (October 31, 2015 – $1,923,981) and negative cash flow from operations of $2,096,535 (October 31, 2015 – $1,597,359). As at October 31, 2016, the Company had a deficit of $33,751,107 (April 30, 2016 – $30,687,758), which results in shareholders' equity of $3,035,063 (April 30, 2016 – $3,910,876). As at October 31, 2016, the Company had working capital of $1,652,686 (April 30, 2016 – $2,479,026).

The Company is dependent upon key personnel, the successful completion of the Company's clinical trial for COTI-2, and the need to raise additional funds to support continuing operations and meet its liabilities and commitments as they become due while executing its strategic business plans for fiscal 2017 and future years. The Company is taking steps to address the going concern risk by actively seeking potential customers, partners, and collaborators as a means of furthering molecule development and generating revenue streams, and pursuing alternative sources of financing, including but not limited to, raising capital in the public market and securing government grants.

Subsequent to the quarter-end, the Company realized $90,000 in financing through the exercise of share options (note 16). The Company has discretion with many of its expenditure activities and plans to manage these activities in fiscal 2017 within the limits of available cash resources. While the Company has a history of obtaining financing, there is no certainty that any of the aforementioned strategies will enable the Company to alleviate the going concern risk in future periods.

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

4. Basis of preparation:

(a) Compliance with accounting standards:

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

The accounting policies in these fiscal 2017 Interim Financial Statements are consistent with the policies the Company adopted in its Annual Financial Statements as at, and for the year ending, April 30, 2016. These accounting policies were disclosed in detail in note 5 of the Company's April 30, 2016, Annual Financial Statements. COTI has also prepared these Interim Financial Statements on an individual entity basis, as it has no subsidiaries. Management has determined that the Company operates in one reportable segment based on the business activities reflected in its revenues and expenses since inception.

In preparing these Interim Financial Statements, certain information and disclosures normally included in the notes to the Annual Financial Statements are condensed or not presented. These Interim Financial Statements should be read in conjunction with the Company's most recent Annual Financial Statements as of April 30, 2016, and related notes.

These Interim Financial Statements were approved for issuance by the Audit Committee on December 14, 2016.

(b) Basis of measurement:

The Interim Financial Statements have been prepared on a historical cost basis, except for the warrant liability and investments classified as fair-value-through-profit-and-loss ("FVTPL") that are measured at fair value at each reporting period.

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of these interim financial statements in conformity with IFRS requires management to make estimates and assumptions, and apply judgement in the process of applying accounting policies, that affect the reported amounts of assets, liabilities, income, and expenses at the date of the interim financial statements. Actual results could differ materially from these estimates and assumptions. There has been no material change in the significant estimates and assumptions as described in note 4 (d) of the Annual Financial Statements for the year ended April 30, 2016, except as follows:

(i) Share-based compensation – The fair value of share-based compensation is determined using a Black-Scholes option-pricing model, which incorporates management's estimates of the risk free interest rate, the expected dividend yield, the estimated common share price volatility, the estimated option life, and the forfeiture rate as applicable to each award. The Company's historical practice has been to award options with vesting based on service conditions, however, during the first quarter, the Company awarded share options with vesting based on the achievement of performance conditions. The timing of completion of these performance conditions is uncertain as these conditions are based on the achievement of milestones in the Company's clinical trial program for its lead oncology compound COTI-2. Accordingly, management is required to make an estimate of the dates for completion of such milestones. This estimate is reviewed at each reporting date for any change in these estimated vesting dates and to the extent, there is a change in the vesting date estimates, the amortization rate and timeline for the unamortized balance of the share-based compensation is adjusted on a prospective basis.

(ii) Provision for bonuses – During the first quarter, the Company established a compensation plan for its executive management team that will pay annual fiscal bonuses based upon the achievement of specific milestones. There is uncertainty surrounding the likelihood and timing of completion of these milestones. Management is accordingly required to make an estimate of the completion dates of such milestones. These estimates are reviewed at each reporting date for any change in the underlying performance and assumptions in achieving the milestones, and to the extent there is a change in these estimates, the provision is adjusted on a prospective basis.

5. Significant accounting policies:

The significant accounting policies, set out in detail in note 5 of the Annual Financial Statements for the year ended April 30, 2016, have been consistently applied to all periods presented in these interim financial statements.

Adoption of new accounting pronouncements:

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, and accordingly the Company adopted these amendments in its interim financial statements for the annual period beginning on May 1, 2016. These amendments did not require any significant change to current practice and did not have a material impact on these interim financial statements, but facilitate improved financial statement disclosures going forward.

6. Investments:

The Company invests cash not required for immediate working capital purposes in investments that are rated "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. Details related to the investments at October 31, 2016, are set out below.

Investment description	Fiscal Year of Maturity	Effective interest rate	Cost	Unrealized Gain / (Loss)	Fair value
Guaranteed investment certificates	2017-18	0.95 - 1.40%	$ 2,115,000	$ 14,175	$ 2,129,175
Canadian provincial government USD stripped bonds	2018-20	1.04 - 1.82%	719,538	10,857	730,395
Total			$ 2,834,538	$ 25,032	$ 2,859,570

7. Equipment:

Summary details of the Company's fixed assets at October 31, 2016, appear in the following table.

	Computer Hardware	Furniture and Fixtures	Total
Cost, April 30, 2016	$ 64,755	$ 122,248	$ 187,003
Purchases	9,766	-	9,766
Cost, October 31, 2016	74,521	122,248	196,769
Accumulated amortization, April 30, 2016	(27,232)	(105,136)	(132,368)
Amortization	(10,367)	(4,328)	(14,695)
Accumulated amortization, October 31, 2016	(37,599)	(109,464)	(147,063)
Net carrying value, October 31, 2016	$ 36,922	$ 12,784	$ 49,706

8. Intangible assets:

Summary details of the Company's intangible assets at October 31, 2016, appear in the following table.

	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2016	$ 3,526,287	$ 551,350	$ 377,628	$ 256,928	$ 4,712,193
Additions	-	7,520	55,110	3,217	65,847
Transfers upon patent grant	-	54,410	(54,410)	-	-
Patent abandonment	-	(30,166)	-	-	(30,166)
Expired software licenses	-	-	-	(78,334)	(78,334)
Cost, October 31, 2016	3,526,287	583,114	378,328	181,811	4,669,540
Accumulated amortization, April 30, 2016	(3,100,331)	(143,020)	-	(91,627)	(3,334,978)
Amortization	(15,503)	(17,556)	-	(64,082)	(97,141)
Amortization reversal - patent abandonment	-	16,916	-	-	16,916
Expired software licenses	-	-	-	78,334	78,334
Accumulated amortization, October 31, 2016	(3,115,834)	(143,660)	-	(77,375)	(3,336,869)
Net carrying value, October 31, 2016	$ 410,453	$ 439,454	$ 378,328	$ 104,436	$ 1,332,671

9. Warrant liability:

During fiscal 2015, the Company completed a private placement financing of units in three tranches. Each unit consisted of one common share and one warrant to purchase a common share. The warrants issued have an exercise price of USD $0.34. Under IFRS, warrants issued with an exercise price denominated in a foreign currency are considered financial derivative instruments and the prescribed accounting treatment is to classify these warrants as a current liability measured at fair value upon initial recognition. At each subsequent reporting date, the warrants are re-measured at fair value and the non-cash change in fair value is recognized through profit or loss. Upon warrant exercise for cash, the fair value of the warrant at the exercise date is transferred from Warrant liability to Share capital.

Details related to the Warrant liability are summarized below.

	October 31, 2016	April 30, 2016
Opening balance, outstanding warrants	10,117,021	10,177,760
Warrants exercised	(107,000)	(60,739)
Closing balance, outstanding warrants	10,010,021	10,117,021
Expiry dates	Oct 16 - Nov 24/19	Oct 16 - Nov 24/19
Weighted average exercise price in CAD	$ 0.4557	$ 0.4102
Opening balance	$ 2,123,018	$ 1,170,070
Fair value of warrant exercises transferred to share capital	(32,786)	(12,921)
Fair value adjustment at the report date	103,252	965,869
Net fair value change during the period	70,466	952,948
Closing balance	$ 2,193,484	$ 2,123,018

10. Share capital:

Summary details of the Company's share capital at October 31, 2016, with comparable amounts for April 30, 2016, appear in the following table.

		October 31, 2016		April 30, 2016	
	Expiry Date Ranges	Issued	Amount	Issued	Amount
Share capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued and fully paid:					
Common shares, without par value		148,858,435	$ 31,321,811	142,637,297	$ 29,152,856
Common share purchase warrants:					
$0.28 warrants	Apr 29 - Jun 2/16	-	-	5,331,266	243,010
$0.22 compensation warrants	Apr 29 - Jun 2/16	-	-	194,110	18,828
$0.42 warrants	Jun 28 - Jul 31/17	2,144,267	156,283	2,144,267	156,283
$0.315 compensation warrants	Jun 28 - Jul 31/17	96,120	10,324	108,120	11,542
$0.38 warrants	Mar 29/18	2,420,551	225,424	2,420,551	225,425
$0.26 warrants	Feb 4/19	769,230	33,492	769,230	33,492
$0.19 USD compensation warrants	Apr 11 - Jun 6/19	3,000,000	472,222	3,000,000	472,222
$0.26 USD compensation warrants	Oct 16 - Nov 24/19	460,739	66,050	525,189	76,575
$0.38 warrants	Dec 18/19 - Feb 16/20	3,099,374	186,814	3,099,374	186,814
$0.29 compensation warrants	Dec 18/19 - Feb 16/20	162,811	13,536	162,811	13,536
		12,153,092	1,164,145	17,754,918	1,437,727
			$ 32,485,956		$ 30,590,583

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

	Shares		Amount
Balance April 30, 2016	142,637,297	$	29,152,856
Shares issued - warrant exercise (note 10 (a))	5,601,826		1,833,290
Shares issued - USD warrant exercise (note 10 (b))	107,000		79,234
Shares issued - share option exercise (note 10 (c))	512,312		256,431
	6,221,138		2,168,955
Balance October 31, 2016	148,858,435	$	31,321,811

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

	Warrants		Amount
Balance April 30, 2016	17,754,918	$	1,437,727
Warrants exercised (note 10 (a))	(5,601,826)		(273,582)
Balance October 31, 2016	12,153,092	$	1,164,145

Details concerning the share capital transactions are summarized below.

(a) Warrant exercises:

Warrant holders exercised an aggregate of 5,601,826 common share purchase warrants and compensation warrants. The gross proceeds of these exercises, plus the net fair value attributed to these warrants on the initial grant, less the costs to issue the common shares upon the exercise, were recognized in Common Shares as set out below.

Warrant description	Number of warrants exercised		Gross proceeds		Net warrant transfer value		Share issuance costs		Share capital
$0.22 compensation	194,110	$	42,704	$	18,829	$	(110)	$	61,423
$0.26 USD compensation	64,450		21,725		10,525		(155)		32,095
$0.28 common share	5,331,266		1,492,753		243,011		(916)		1,734,848
$0.315 compensation	12,000		3,780		1,217		(73)		4,924
	5,601,826	$	1,560,962	$	273,582	$	(1,254)	$	1,833,290

(b) USD Warrant exercises:

In fiscal 2015, common share purchase warrants with an exercise price denominated in USD were issued and recognized as a warrant liability in accordance with the accounting treatment prescribed under IFRS (note 9). During the reporting period, 107,000 of these warrants with an exercise price of USD $0.34 and expiry dates of October 17 and November 6, 2019, were exercised. The gross proceeds of $46,579 (USD $36,380) net of share issuance costs of $131 were recorded in Common Shares. In addition, the fair value of the warrant liability related to the exercised warrants determined as $32,786 on the day prior to the date of exercise was transferred from the warrant liability account to Common Shares.

(c) Share Option Exercises:

Share option holders exercised an aggregate of 512,312 options during the period. The gross proceeds from these exercises, plus the net fair value attributed to these options on the initial grant, less the costs to issue the common shares upon exercise, were recognized in Common Shares as set out below.

Option description	Number of options exercised	Gross proceeds	Net transfer value	Share issuance costs	Common Shares
$ 0.25	48,897	$ 12,224	$ 10,855	$ (370)	$ 22,709
$ 0.30	463,415	139,025	95,000	(303)	233,722
	512,312	$ 151,249	$ 105,855	$ (673)	$ 256,431

11. Share-based compensation:

For the three and six months ended October 31, 2016, the Company recognized share-based compensation expense of $281,847 and $398,018 respectively (October 31, 2015 – $69,021 and $146,855) consisting of share options granted to employees, directors and consultants. At October 31, 2016, 3,388,409 options were available for possible grant purposes (October 31, 2015 – 5,557,504).

Details concerning the 1,691,427 share options issued by the Company during the quarter are summarized below.

	Directors	Employees
Option terms:		
Number granted	1,073,795	617,632
Exercise price	$ 0.52	$ 0.520
Life of option in years	5.00	5.00
Vesting from grant date	Quarterly	Quarterly
Black-Scholes assumptions:		
Risk free interest rate	1.088%	0.823%
Expected dividend yield	-	-
Estimated share price volatility	77.48%	71.48%
Estimated life in years	3.89	3.16
Estimated share option value	$ 410,190	$ 194,513

12. Financial instruments and risk management:

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

Company's key financial risks or risk management strategies since the Company's fiscal year-end of April 30, 2016.

(a) Financial assets and liabilities:

The Company has determined that the carrying values of its financial assets and liabilities, being cash and cash equivalents, investments, other receivables, and accounts payable and accrued liabilities, approximate their fair values because of the relatively short periods to maturity of these instruments.

The warrant liability is recorded at fair value at each reporting period. Its fair value is estimated using a currency translated option valuation model incorporating estimated life, currency and price volatility, and the risk free interest rate (notes 9 and 10(b)). Investments are reported at fair value at each reporting period.

(b) Liquidity risk:

Liquidity risk is the risk of the Company having difficulty in meeting the obligations associated with its financial liabilities in delivering cash or another financial asset. The Company monitors and manages its actual cash and projected cash flows with the primary objective of maintaining liquidity and its ability to meet its financial obligations.

The contractual maturities of the Company's financial liabilities, being accounts payable and accrued liabilities, on an undiscounted cash flow basis, mature within one year. The Company has determined it has, or will have, sufficient working capital to manage its maturing financial liabilities as they come due based on its current cash, cash equivalents, investments, and its ability to raise funds through private placements, and warrant and option exercises as demonstrated in prior years and subsequent to the April 30, 2016 year-end (notes 3, 10 and 16). The Company excludes the warrant liability from its liquidity risk analysis, as this obligation is a non-cash liability that will be settled through the issuance of shares.

(c) Foreign currency risk:

The Company has historically entered contracts denominated in currencies other than the Canadian dollar ("CAD"). As a result, the Company may be exposed to risk from fluctuations in exchange rates between the CAD and these currencies. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, variations in foreign exchange rates could cause fluctuations in the Company's operating results and cash flows. During the quarter, the Company's foreign exchange exposure was primarily related to United States dollars ("USD").

The Company's exposure to foreign currency risk expressed in CAD at the quarter-end is set out 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 October 31, 2016 would have increased the Company's loss by approximately $26,000. A 5% weakening of the CAD against the USD would have an equal but opposite effect assuming all other variables remain constant.

As at October 31, 2016				
	CAD	USD	Other	Total
Cash and cash equivalents	$ 1,330,389	$ 246,498	$ 132	$ 1,577,019
Investments	2,135,325	724,245	-	2,859,570
Other receivables	697	-	-	697
Accounts payable and accrued liabilities	(827,539)	(456,926)	-	(1,284,465)
Warrant liability	-	(2,193,484)	-	(2,193,484)
	$ 2,638,872	$ (1,679,667)	$ 132	$ 959,337

13. Supplementary cash flow information:

As at October 31	2016	2015
Change in non-cash working capital:		
Investmet tax credits and other receivables	$ (23,008)	$ 52,294
Prepaid expenses and deposits	56,751	(184,979)
Accounts payable and accrued liabilities	508,847	179,581
Warrant liability	(32,786)	(84,001)
	$ 509,804	$ (37,105)

The Company did not engage in any investing or financing transactions that did not involve the use of cash during the quarter.

14. Commitments:

The Company had commitments at the quarter-end to pay for the completion of work primarily related to research and development contracts for the Company's Phase 1 clinical trial of COTI-2 in gynecologic cancers. Payment timing of clinical trial costs is subject to the actual timing of trial activities such as the enrollment of patients, the completion of patient testing, and the administration of drug, as well as the negotiated payment terms with the trial site. The Company currently expects the clinical trial to conclude in fiscal 2019. A summary of the estimated timing of these commitments is set out below.

	Fiscal Years ending April 30			
	2017	2018	2019	Total
COTI-2:				
Clinical trial costs	$ 533,394	$ 1,069,378	$ 175,209	$ 1,777,981
Other preclinical	75,738	100,161	8,237	184,136
	609,132	1,169,539	183,446	1,962,117
Other molecules	27,709	-	-	27,709
Other non-R&D consulting contracts	34,337	-	-	34,337
Total	$ 671,178	$ 1,169,539	$ 183,446	$ 2,024,163

15. Related party transactions:

The Company's key personnel includes the Company's executive officers and its directors. At October 31, 2016, there were directors' fees payable of $3,302 (October 31, 2015 – $6,593) and accrued salaries, benefits, and outstanding vacation pay owing to executive officers of $288,073 (October 31, 2015 – $96,244).

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

(i) an award of 1,073,795 share options to directors for their annual compensation related to the ensuing year and 418,067 share options awarded to executive officers (note 11);

(ii) the exercise of 490,565 share options granted to directors and officers in prior periods (note 10 (c)), and,

(iii) the continued engagement of a human resource-consulting firm that reports to the President of the Company under a contract with agreed upon per diem payment terms. The President of the consulting firm is related to a director of the Company. Fees and expenses paid or accrued for services rendered in the quarter were $30,363 (October 31, 2015 – $7,500) and $48,488 for the six month period (October 31, 2015 - $12,806).

16. Subsequent events:

Subsequent to October 31, 2016, the Company realized gross proceeds of $90,000 from the exercise of 300,000 share options by a consultant at $0.30 per share.