COTINGA
PHARMACEUTICALS

Unaudited Condensed Interim Financial Statements
Fiscal 2018 - Third Quarter

For the three and nine months ended January 31, 2018 and 2017

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For the three and nine months ended January 31, 2018 and 2017

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Notice of No Audit or Review of Condensed Interim Financial Statements

The accompanying Interim Statements of Financial Position as at January 31, 2018 and April 30, 2017, of Cotinga Pharmaceuticals Inc., and the Interim Statements of Comprehensive Loss for the three and nine month periods ended January 31, 2018 and 2017, and the Interim Statements of Changes in Shareholders' Equity, and the Interim Statements of Cash Flows for the nine month periods ended January 31, 2018 and 2017, 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.

Interim Statements of Financial Position

(All amounts in Canadian dollars)
(Unaudited)

As at		January 31, 2018		April 30, 2017
Assets				
Current assets:				
Cash and cash equivalents	$	376,182	$	717,676
Investments (note 6)		55,688		1,291,160
Investment tax credits and other receivables		107,850		185,823
Prepaid expenses and deposits		313,651		524,884
		853,371		2,719,543
Non-current assets:				
Equipment (note 7)		17,438		42,499
Intangible assets (note 8)		1,056,206		1,264,705
		1,073,644		1,307,204
Total assets	$	1,927,015	$	4,026,747
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	2,120,760	$	1,747,061
Warrant liability (note 9)		50,445		1,459,182
		2,171,205		3,206,243
Long-term accrued liability		-		225,000
Total liabilities		2,171,205		3,431,243
Shareholders' equity (deficit)		(244,190)		595,504
Total liabilities and shareholders' equity	$	1,927,015	$	4,026,747

Going concern (note 3)
Commitments (note 14)
Subsequent events (note 17)

See accompanying notes to interim financial statements

Interim Statements of Comprehensive Loss

(All amounts in Canadian dollars)
(Unaudited)

	Three months ended		Nine months ended	
	January 31, 2018	**January 31, 2017**	**January 31, 2018**	**January 31, 2017**
Expenses (income):				
Research and product development	$ 560,588	$ 684,011	$ 2,222,843	$ 2,040,810
Sales and marketing	64,704	90,316	185,563	301,633
General and administration	780,571	1,299,909	2,304,962	2,876,519
Investment tax credits	-	(36,775)	(17,999)	(115,942)
	1,405,863	2,037,461	4,695,369	5,103,020
Loss before finance income (expense)	(1,405,863)	(2,037,461)	(4,695,369)	(5,103,020)
Finance income (expense):				
Interest and financing, net	370	10,346	1,584	34,399
Change in fair value of warrant liability (note 9)	109,881	809,409	1,408,737	706,157
Foreign exchange gain	17,098	(20,721)	(16,241)	60,688
	127,349	799,034	1,394,080	801,244
Loss and comprehensive loss	$ (1,278,514)	$ (1,238,427)	$ (3,301,289)	$ (4,301,776)
Loss per share:				
Weighted average shares outstanding	16,687,081	14,903,995	15,733,224	14,817,953
Basic and diluted loss per common share	$ (0.08)	$ (0.08)	$ (0.21)	$ (0.29)

See accompanying notes to interim financial statements

COTINGA PHARMACEUTICALS

Interim Statements of Changes in Shareholders' Equity

(All amounts in Canadian dollars)
(Unaudited)

For the nine months ended January 31, 2018

	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Deficit
Balance, April 30, 2017	$ 31,438,860	$ 1,164,145	$ 32,603,005	$ 4,889,147	$ (36,896,648)	$ 595,504
Issuance of shares and warrants (note 10 (a))	1,431,569	505,811	1,937,380	-	-	1,937,380
Share-based compensation (note 11)	-	-	-	521,767	-	521,767
Option issuance costs (note 11)	-	-	-	(3,800)	-	(3,800)
Warrants expired (note 10 (c))	-	(166,606)	(166,606)	166,606	-	-
Warrants exercised (note 10 (b))	8,197	(1,949)	6,248	-	-	6,248
Loss and comprehensive loss	-	-	-	-	(3,301,289)	(3,301,289)
Balance, January 31, 2018	$ 32,878,626	$ 1,501,401	$ 34,380,027	$ 5,573,720	$ (40,197,937)	$ (244,190)

For the nine months ended January 31, 2017

	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	-	-	-	684,484	-	684,484
Options exercised	402,401	-	402,401	(162,249)	-	240,152
Warrant liability settlements	79,234	-	79,234	-	-	79,234
Warrants exercised	1,833,290	(273,582)	1,559,708	-	-	1,559,708
Loss and comprehensive loss	-	-	-	-	(4,301,776)	(4,301,776)
Balance, January 31, 2017	$ 31,467,781	$ 1,164,145	$ 32,631,926	$ 4,530,286	$ (34,989,534)	$ 2,172,678

See accompanying notes to interim financial statements

Interim Statements of Cash Flows

(All amounts in Canadian dollars)
(Unaudited)

For the nine months ended		January 31, 2018		January 31, 2017
Cash provided by (used in):				
Operating activities:				
Loss and comprehensive loss	$	(3,301,289)	$	(4,301,776)
Items not involving cash:				
Amortization - equipment		23,118		22,619
Amortization - intangible assets		143,403		143,321
Loss on disposal of patents		125,958		13,250
Loss on disposal of equipment		4,224		-
Share-based compensation		521,767		684,484
Change in fair value of warrant liability		(1,408,737)		(706,157)
Investment tax credits		(17,999)		(115,942)
Interest and financing expense, net		(1,584)		(34,399)
Unrealized (gain) loss on market value of investments		8,328		(30,293)
Foreign exchange (gain) loss		16,241		(60,688)
		(3,886,570)		(4,385,581)
Change in non-cash operating working capital (note 13)		363,904		1,084,975
Foreign exchange (gain) loss realized		(16,249)		28,290
Interest received		4,028		35,637
Net cash (used in) operating activities		(3,534,887)		(3,236,679)
Investing activities:				
Net, redemption of investments		1,227,145		180,110
Purchase of equipment		(3,941)		(12,758)
Proceeds from disposal of equipment		1,659		-
Expenditures on intangible assets		(60,862)		(106,065)
Net cash provided by investing activities		1,164,001		61,287
Financing activities:				
Proceeds from issuance of common shares and warrants		2,060,818		1,848,792
Costs of issuing common shares and warrants		(117,190)		(2,484)
Proceeds from settlement of warrant liability		-		32,786
Costs of issuing stock options		(3,800)		-
Investment tax credit recoveries		92,329		83,715
Interest paid		(2,773)		(1,613)
Net cash provided by financing activities		2,029,384		1,961,196
Decrease in cash and cash equivalents		(341,502)		(1,214,196)
Effect of exchange rate fluctuations on cash and cash equivalents		8		32,398
Cash and cash equivalents, beginning of the period		717,676		2,141,978
Cash and cash equivalents, end of the period	$	376,182	$	960,180
Represented by:				
Cash	$	45,288	$	240,557
Cash equivalents		330,894		719,623
	$	376,182	$	960,180

See accompanying notes to interim financial statements

1. Corporate Information:

Cotinga Pharmaceuticals Inc. ("Cotinga" or the "Company" or the "Corporation") is a public corporation listed in Canada on the TSX Venture Exchange ("TSXV") under the trading symbol "COT" and in the United States on the OTCQB under the trading symbol "COTQF". The Company, formerly known as Critical Outcome Technologies Inc., amended its Articles to change its name to Cotinga Pharmaceuticals Inc. effective January 10, 2018. The Company is incorporated under the laws of the Province of Ontario, Canada with its registered office located at Suite 230B, 100 Collip Circle, London, Ontario, Canada, N6G 4X8.

2. Description of business:

Cotinga is a clinical stage biopharmaceutical company that is advancing a pipeline of targeted therapies for the treatment of cancer and other unmet medical needs. The Company's lead clinical candidate, COTI-2, is an oral small molecule targeting p53, a tumor suppressor gene that is mutated in over 50% of all cancers, and the Company's second clinical candidate, COTI-219, is a novel oral small molecule compound targeting the mutant forms of KRAS with such mutations occurring in up to 30% of all cancers.

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 Cotinga, 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 no commercial operating revenues and operating cash flows continue to be negative. Key financial results for the nine months ended January 31, 2018 and 2017 are indicative of concern. These results include a loss of \$3,301,289 (January 31, 2017 – \$4,301,776) and negative cash flow from operations of \$3,534,887 (January 31, 2017 – \$3,236,679). As at January 31, 2018, the Company had a deficit of \$40,197,937 (April 30, 2017 – \$36,896,648), shareholders' equity (deficit) of \$(244,190) (April 30, 2017 – \$595,504), and a working capital deficit of \$1,317,834 (April 30, 2017 – \$486,700). Also as at January 31, 2018, the Company had cash, cash equivalents and investments of \$431,870 and will need to obtain additional financing in April 2018 to sustain operations.

The Company is dependent upon key personnel, the successful completion of the Company's clinical trials for COTI-2, and success in raising additional funds to support continuing operations and meet its liabilities and commitments as they become due while executing its strategic business plans for fiscal 2018 and future years. The Company is taking steps to address the going concern risk by pursuing sources of financing including but not limited to raising capital in the private and public markets, securing government grants, seeking partners for collaboration development opportunities, and other strategic initiatives. 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 financial statements have been prepared assuming that the Company will continue as a going concern. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. Accordingly, these financial statements do not include any adjustments to the carrying values and classification of assets and liabilities, or the reported expenses that would be necessary if the going concern assumption was not appropriate. Any adjustments to the financial statements could be material.

4. Basis of preparation:

(a) Compliance with accounting standards:

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

The accounting policies in these fiscal 2018 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, 2017. These accounting policies were disclosed in detail in note 5 of the Company's April 30, 2017 Annual Financial Statements. Cotinga 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.

The notes presented in these interim financial statements include only significant changes and transactions occurring since the Company's last year end in accordance with IAS 34 and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These interim financial statements should be read in conjunction with the Company's most recent Annual Financial Statements as of April 30, 2017, and related notes.

These interim financial statements were authorized for issuance by the Audit Committee on April 2, 2018.

(b) Basis of measurement:

The interim financial statements have been prepared on a historical cost basis, except for the warrant liability, and the investment, which are classified as fair-value-through-profit-and-loss ("FVTPL") and measured at fair value at each reporting date.

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

(c) Functional and presentation currency:

The 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 judgements:

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, 2017, except as follows:

(i) Warrant liability:

The Company has issued warrants with an exercise price denominated in a currency other than the Company's functional currency resulting in their classification as derivative liabilities. The Company measures the value of the warrant liability by reference to the fair value of the common shares underlying the warrants. Estimating the fair value for these warrants is determined using a currency translated option valuation model. This requires management to determine the most appropriate inputs to the valuation model including the estimated life of the warrants, the estimated price volatility of the Company's common shares, the expected dividend yield, and the risk free interest rate. There were significant changes in certain key inputs to the valuation model when compared to the assumptions at the April 30, 2017 year end as set out in note 9 that resulted in a significant change in the fair value of the warrant liability reported year to date.

(ii) Equity warrants:

During the second quarter, the Company completed a private placement unit offering (note 10 (a)) consisting of one common share and one common share purchase warrant ("Warrant"). The Warrants issued are subject to a forced exercise provision that accelerates the expiry date under certain conditions. To allocate the proceeds and the costs to the common shares and Warrants, the Company must determine their relative fair value at the date of issuance. The fair value of the equity warrants was determined using a Black-Scholes option-pricing model, which incorporated management's estimates of the risk free interest rate, the expected dividend yield, the estimated common share price volatility, and the estimated warrant life considering the accelerated exercise provision.

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, 2017, have been consistently applied to all periods presented in these interim financial statements.

(a) Adoption of new accounting pronouncements:

The Company did not adopt any new accounting policies in the quarter.

(b) Accounting pronouncements not yet adopted:

The IASB has issued new standards and amendments to existing standards. These changes in accounting standards were not yet effective for the current fiscal year that began on May 1, 2017, but could have an impact on future periods.

(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, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is assessing the impact of this standard on the financial statements.

6. Investment:

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. At January 31, 2018, the investment consisted of a Canadian provincial government USD stripped bond with a cost of $60,842 and a fair value of $55,688.

7. Equipment:

Summary details of the Company's equipment at January 31, 2018, appear in the following table.

	Computer Hardware	Furniture and Fixtures	Total
Cost, April 30, 2017	$ 83,610	$ 122,248	$ 205,858
Purchases	3,941	-	3,941
Disposals	(15,456)	(38,890)	(54,346)
Cost, January 31, 2018	72,095	83,358	155,453
Accumulated amortization, April 30, 2017	(49,566)	(113,793)	(163,359)
Amortization	(18,993)	(4,125)	(23,118)
Disposals	12,424	36,038	48,462
Accumulated amortization, January 31, 2018	(56,135)	(81,880)	(138,015)
Net carrying value, January 31, 2018	$ 15,960	$ 1,478	$ 17,438

8. Intangible assets:

Summary details of the Company's intangible assets at January 31, 2018, appear in the following table.

	Molecules	Patents Granted	Patents Pending	Computer Software	Total
Cost, April 30, 2017	$ 3,526,287	$ 746,243	$ 180,612	$ 269,747	$ 4,722,889
Additions	-	26,961	29,836	4,065	60,862
Transfer upon patent grant	-	19,398	(19,398)	-	-
Patent abandonment	-	-	(125,958)	-	(125,958)
Expired software licenses	-	-	-	(84,375)	(84,375)
Cost, January 31, 2018	3,526,287	792,602	65,092	189,437	4,573,418
Accumulated amortization, April 30, 2017	(3,131,337)	(191,247)	-	(135,600)	(3,458,184)
Amortization	(23,254)	(38,234)	-	(81,915)	(143,403)
Amortization reversal - patent abandonment	-	-	-	-	-
Expired software licenses	-	-	-	84,375	84,375
Accumulated amortization, January 31, 2018	(3,154,591)	(229,481)	-	(133,140)	(3,517,212)
Net carrying value, January 31, 2018	$ 371,696	$ 563,121	$ 65,092	$ 56,297	$ 1,056,206

9. Warrant liability:

During fiscal 2015, the Company completed a private placement financing on a unit basis with each unit consisting of one common share and one warrant to purchase a common share. The exercise price of the warrant is USD $3.40. 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 change in fair value is recognized through profit or loss. Upon warrant exercise, the fair value previously recognized in Warrant liability is transferred from Warrant liability to Share capital.

The Company consolidated its common shares effective June 30, 2017 (note 10). The warrants disclosed as Warrant liability were consolidated on the same basis as the common shares in accordance with the terms of the warrant security agreements.

Details related to the Warrant liability are summarized below.

	January 31, 2018		April 30, 2017	
Opening balance, outstanding warrants		1,001,006		1,011,706
Warrants exercised		-		(10,700)
Closing balance, outstanding warrants		1,001,006		1,001,006
Expiry dates		Oct 16 - Nov 24/19		Oct 16 - Nov 24/19
Weighted average exercise price in CAD	$	4.180	$	4.645
Opening balance	$	1,459,182	$	2,123,018
Fair value of warrant exercises transferred to share capital		-		(32,786)
Fair value adjustment at the report date		(1,408,737)		(631,050)
Net fair value change during the period		(1,408,737)		(663,836)
Closing balance	$	50,445	$	1,459,182

A summary of the assumptions used in the valuation model for re-measuring the fair value of the Warrant liability at the January 31, 2018 and April 30, 2017 reporting periods is set out below.

Key Assumption	January 31, 2018	April 30, 2017
Estimated volatility	85.12 - 86.55%	71.53 - 72.11%
USD-CAD foreign exchange rate	1.2314	1.3654
Estimated life in years	1.70 - 1.81	2.46 - 2.57
Market price in CAD	$0.75	$3.80
Exercise price in USD	$3.40	$3.40

10. Share capital:

During the first quarter of the current fiscal year, the Company consolidated its then issued and outstanding common shares based on ten pre-consolidation common shares for one post-consolidation common share (the "Consolidation") in accordance with the approval of the Company's shareholders obtained in October 2016. Upon approval by the TSX Venture Exchange, the Company's common shares commenced trading on a consolidated basis on June 30, 2017.

In addition to the Consolidation of the Company's common shares, the Company's outstanding common share purchase warrants and share options were subject to adjustment as outlined under the terms of their respective security agreements. For both common shares and common share purchase warrants, all fractional post–consolidation shares were rounded to the next lowest whole number if the first decimal place was less than five and rounded to the next highest whole number if the first decimal place was five or greater. For share options, where the Consolidation calculation resulted in a fractional number of common shares, the number to be purchased was rounded down to the nearest whole number as directed by the Share Option Plan.

Certain warrants issued through private placements, are subject under the terms of their warrant certificates, to a forced exercise provision where the expiry date will be accelerated to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds three times the exercise price set out in the warrant certificate. Because of the Consolidation, the forced exercise provision was adjusted to reflect the ten to one ratio effected in the Consolidation. Following the Consolidation, the Company is entitled to accelerate the expiry date of the warrants to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrant, the closing price of the common shares on the TSXV equals or exceeds 1.3 times the exercise price of the warrants. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. Any warrants not exercised during this reduced exercise period would expire.

Summary details of the Company's share capital at January 31, 2018, with comparable amounts for April 30, 2017, restated to reflect the effect of the Consolidation, appear in the following table.

		January 31, 2018			April 30, 2017		
	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		16,692,186	$	32,878,626	14,915,844	$	31,438,860
Common share purchase warrants:							
$4.20 warrants	Jun 28 - Jul 31/17	-		-	214,427		156,283
$3.15 compensation warrants	Jun 28 - Jul 31/17	-		-	9,612		10,324
$3.80 warrants	Mar 29/18	242,055		225,424	242,055		225,424
$1.21 warrants	Sep 19 - Oct 17/18	1,771,124		482,683	-		-
$1.21 compensation warrants	Sep 19 - Oct 17/18	55,623		21,178	-		-
$2.60 warrants	Feb 4/19	76,923		33,492	76,923		33,492
$1.90 USD compensation warrants	Apr 11 - Jun 6/19	300,000		472,222	300,000		472,222
$2.60 USD compensation warrants	Oct 16 - Nov 24/19	46,075		66,050	46,075		66,050
$3.80 warrants	Dec 18/19 - Feb 16/20	309,937		186,815	309,937		186,814
$2.90 compensation warrants	Dec 18/19 - Feb 16/20	16,281		13,536	16,281		13,536
		2,818,018		1,501,400	1,215,310		1,164,145
			$	34,380,026		$	32,603,005

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

	Shares		Amount
Balance April 30, 2017	14,915,844	$	31,438,860
Shares issued - private placements (note 10 (a))	1,771,124		1,431,570
Shares issued - warrant exercises (note 10 (b))	5,218		8,196
Balance January 31, 2018	16,692,186	$	32,878,626

A summary of the changes in warrants is set out below.

	Warrants		Amount
Balance April 30, 2017	1,215,310	$	1,164,145
Warrants issued - private placement (note 10 (a))	1,771,124		482,882
Warrants issued - private placement compensation (note 10 (a))	60,841		22,928
Warrants exercised (note 10 (b))	(5,218)		(1,949)
Warrants expired (note 10 (c))	(224,039)		(166,606)
	1,602,708		337,255
Balance January 31, 2018	2,818,018	$	1,501,400

Details concerning share capital transactions are summarized below.

(a) Private placement:

During the quarter ended October 31, 2017, the Company completed a non-brokered private placement in two tranches closing on September 19 and October 17, 2017, respectively. The private placement was completed in a unit offering consisting of one common share and one common share purchase warrant. The common share purchase warrants and compensation warrants issued are exercisable for one common share. The expiry date for the common share purchase warrants and the compensation warrants was set at the same date for each warrant type in the respective private placement tranche.

All warrants in the private placement contain a forced exercise provision that accelerates the expiry date to a period of 21 days, if for any ten consecutive trading days during the unexpired term of the warrants (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds two times the exercise price set out in the warrant certificate. If this occurs, the reduced exercise period will begin seven calendar days after the tenth Premium Trading Day. Any warrants not exercised during this reduced exercise period would expire.

In each of the private placements, the common share purchase warrants were allocated a portion of the proceeds and the costs based upon their relative fair value at the date of issuance. The fair values of the common share purchase warrants and the compensation warrants were determined using a Black-Scholes option-pricing model.

Specific details of the private placement and the assumptions used in the option-pricing model for the common share purchase and compensation warrants are summarized in the tables below.

Issue price per unit	$	1.16
Common shares issued		1,771,124
Equity warrants issued		1,771,124
Equity warrant exercise price	$	1.21
Compensation warrants issued		60,841
Compensation warrant exercise price	$	1.21
Warrant term in months		12
Cash proceeds summary:		
Gross proceeds	$	2,054,504
Unit cash issuance costs		117,124
Net cash proceeds on issuance		1,937,381
Fair value of compensation warrants		22,928
Total issuance costs		140,052
Allocations to common shares:		
Proceeds		1,536,290
Issuance costs		104,720
Net value allocated to share capital		1,431,570
Allocations to warrants:		
Proceeds		518,214
Issuance costs		35,332
Net value allocated to warrants		482,882
Total net value	$	1,914,452

Equity and compensation warrants	Sep 19 & Oct 17, 2017
Assumptions:	
Common share market price	$ 1.11 - 1.13
Risk free interest rate	1.67 - 1.71%
Estimated common share price volatility	97.76 - 98.26%
Expected dividend yield	-
Estimated life in years	0.90
Total estimated fair value calculated	$ 689,350

(b) Warrants exercised:

Warrant holders exercised an aggregate of 5,218 compensation warrants during the quarter. The gross proceeds of these exercises, plus the net 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 summarized below.

Warrant description	Number of warrants exercised	Gross proceeds	Net warrant transfer value	Share issuance costs	Share capital	Net Proceeds
$1.21 compensation	5,218	$ 6,313	$ 1,949	$ (66)	$ 8,196	$ 6,247
	5,218	$ 6,313	$ 1,949	$ (66)	$ 8,196	$ 6,247

(c) Warrants expired:

Warrants related to a private placement completed in two tranches during fiscal 2016 expired during the first quarter as set out below. The net amount previously recorded for these warrants of $166,606 was transferred to Contributed Surplus.

Warrant type	Warrants expired	Warrant value transferred	Warrant costs transferred	Share Capital
$4.20 common share	214,427	$ (170,700)	$ 14,270	$ (156,430)
$3.15 compensation	9,612	(10,176)	-	(10,176)
	224,039	$ (180,876)	$ 14,270	$ (166,606)

11. Share-based compensation:

For the three month and nine months ended January 31, 2018, the Company recorded share-based compensation expense of $148,209 and $521,767 respectively (January 31, 2017 – $286,466 and $684,484) consisting of the amortization of the value of options granted to employees, directors, and consultants in the current and prior periods. At January 31, 2018, there were 235,851 options (January 31, 2017 – 355,637) available for grant under the share option plan. There were no option exercises during the quarter (January 31, 2017 – 30,000).

Details concerning the share options issued by the Company during the quarter are summarized below.

Award terms		
Option terms:		
Number granted		346,428
Exercise price	$	1.20
Life of options in years		5.00
Vesting from grant date	Quarterly in arrears over the first year	
Valuation model assumptions		
Risk free interest rate		2.055%
Expected dividend yield		-
Estimated share price volatility		75.69%
Estimated life in years		4.04
Estimated share option value	$	243,192

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. 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, 2017.

(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, accounts payable and accrued liabilities, and the long-term accrued liability 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 assumptions for estimated life, currency and price volatility, and the risk free interest rate (note 9).

Investments are reported at their 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 on an undiscounted cash flow basis mature within one year. The Company will require additional funds to manage its maturing financial liabilities as they come due based on its current cash, cash equivalents, and investments, and is progressing in its financing efforts to raise the funds to meet these current and future obligations. The Company has excluded the Warrant liability from the liquidity risk analysis, as the obligation is a non-cash liability that will be settled in shares.

(c) Foreign currency risk:

The Company has historically entered contracts denominated in currencies other than 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 related to the 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 January 31, 2018 would have decreased the Company's loss by approximately $39,000. A 5% weakening of the CAD against the USD would have an equal but opposite effect assuming all other variables remain constant.

As at January 31, 2018	CAD	USD	Other	Total
Cash and cash equivalents	$ 243,162	$ 132,891	$ 129	$ 376,182
Investments	-	55,688	-	55,688
Other receivables	2,103	329	3,447	5,879
Accounts payable and accrued liabilities	(1,131,784)	(976,437)	-	(2,108,221)
Warrant liability	-	(50,445)	-	(50,445)
	$ (886,519)	$ (837,974)	$ 3,576	$ (1,720,917)

13. Supplementary cash flow information:

January 31	2018	2017
Change in non-cash working capital:		
Investment tax credits and other receivables	$ 3,972	$ 1,676
Prepaid expenses and deposits	211,233	50,177
Accounts payable and accrued liabilities	148,699	1,065,908
	$ 363,904	$ 1,084,975

The Company also engaged in certain financing transactions that did not involve the use of cash during the quarter as follows:

January 31	2018	2017
Warrants issued as compensation in private placements	$ 22,928	$ -

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 and head and neck cancers. Payment timing of clinical trial costs is subject to the actual timing of trial activities such as the enrollment of patients, administration of drug, and completion of patient testing, as well as the negotiated payment terms with the trial site. The Company currently expects the clinical trial to conclude in fiscal 2020. A summary of the estimated timing of these commitments during the next few fiscal years is set out below.

Fiscal Years ending April 30	2018	2019	2020	Total
COTI-2:				
Clinical trial costs	$ 83,874	$ 359,888	$ 197,578	$ 641,340
Non-clinical development expense	8,260	-	-	8,260
	92,134	359,888	197,578	649,600
COTI-219	44,022	123,999	5,556	173,578
Other non-R&D contracts	81,281	-	-	81,281
Total	$ 217,436	$ 483,888	$ 203,134	$ 904,459

15. Related party transactions:

The Company's key personnel include the Company's C-level executives ("Executives") and its Board of Directors ("Directors"). At January 31, 2018, there were Directors' fees payable of $28,063 (January 31, 2017 – $20,177) and accrued salaries, benefits, and outstanding vacation pay owing to Executives of $164,491 (January 31, 2017 – $230,867).

Material transactions with key personnel that occurred during the quarter were in the ordinary course of business and included an award of 346,428 share options to the Directors for their annual compensation related to the ensuing Board year (note 11).

16. Contingent liability:

At the quarter-end, the Company had an outstanding dispute with an advisory firm relating to the performance of certain contract deliverables under an agreement that terminated in fiscal 2015. The agreement provided for arbitration, and subsequent to the quarter-end on February 12, 2018, the Company was advised by arbitration award that it was successful in defending the dispute. The cost to the Company was limited to its internal costs and the legal fees incurred to defend the claim at the arbitration. Under the award on a post consolidation basis, a total of 300,000 warrants that were issued to the advisory firm in 2014 and exercisable at a price of USD $1.90 were cancelled.

17. Subsequent events:

(a) Warrant exercise:

On February 22, 2018, 4,329 compensation warrants were exercised at a price of $1.21 CAD for gross proceeds to the Company of $5,238.

(b) Warrant expiry:

On March 28, 2018, 242,055 common share warrants that were exercisable at a price of $3.80 expired.