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

Fiscal 2018 – Third Quarter
for the three and nine month periods ended January 31, 2018

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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 Cotinga Pharmaceuticals Inc. ("Cotinga" or the "Company") for the three and nine month periods ended January 31, 2018 and has been prepared with all information available up to April 2, 2018. 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 April 2, 2018.

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, 2018. These Interim Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and in particular with International Accounting Standard 34: Interim Financial Reporting.

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

The Company's quarterly interim reports for fiscal 2018, Annual Financial Statements, 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.cotingapharma.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:

- Completing a financing to support working capital requirements and fund research and development initiatives by April 30, 2018;
- Positive outcomes from the Company's Phase 1 clinical trial with COTI-2, the Company's lead oncology drug candidate, in gynecological cancers that completed the in-patient dose escalation portion in August 2017, and in head and neck squamous cell carcinomas (HNSCC) that commenced the dose escalation phase in August 2017;
- 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 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	• The Company has further plans to expand the Trial into other p53-mediated cancers and into combination trials with approved chemo-and radiotherapeutics. • COTI-219 is currently undergoing testing in support of an IND filing. • Ability to advance its technology platforms and development programs highly dependent upon the outcome of its financing efforts targeted to close in April 2018
Operational Progress and Outlook	• Based on the accumulated data from the Phase 1 trial in gynecological malignancies, the Company confirmed its support for the continued development of COTI-2. • Company's top priority to complete a financing in April 2018
Liquidity and Cash Resources	• While this financing supported the advancement of corporate objectives into Q4-F'18, primarily the continuation of the Phase 1 clinical trial of COTI-2, proceeds were deemed insufficient to sustain operations through the fiscal year ending April 30, 2018. • In Q3-F'18, the Company entered into an agreement with a U.S. investment bank to act as exclusive placement agent for a cross-border private placement equity raise on a best efforts basis. • The Company has a working capital deficiency and a shareholders' deficit that casts significant doubt on the Company's ability to continue as a going concern without a near-term financing. • A new financing has not yet been completed and if the financing is not successful, the Company may be forced to consider various strategic alternatives for the business.

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	• Going concern: The material uncertainties discussed under "Liquidity and Cash Resources" and highlighted in note 3 of the Interim Financial Statements identify the risks associated with raising sufficient funds for the Company to accomplish its goals. • Realizing Cotinga's long-term potential may occur through the successful development and commercialization of molecules assessed using the Company's drug discovery technology, CHEMSAS®. • Cotinga continues to develop relationships with prospective customers and to selectively seek strategic licensing and collaboration opportunities. • The Company will continue to seek strategic sources of financing to fund its operations in the interim.
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

Cotinga is a clinical stage biotech 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"). 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 obtained a listing in the United States on the OTC Markets OTCQB trading platform for venture companies under the symbol COTQF.

On June 23, 2017, the Company announced that in accordance with the approval of the Company's shareholders obtained on October 13, 2016, the Board of Directors resolved to proceed with a consolidation of the Company's issued and outstanding common shares based upon a ratio of ten pre-consolidation common shares for one post-consolidation common share. The Company's common shares commenced trading on a consolidated basis on June 30, 2017.

On December 20, 2017, the shareholders of the Company approved a special resolution authorizing the Company to amend its Articles to change the name of the Company to Cotinga Pharmaceuticals Inc. The rebranding of the Company signifies its shift from a primarily technology-driven organization to a clinical-stage, product-focused biotech and pharmaceutical company. The Company subsequently received regulatory approval and the name change was effective January 10, 2018.

Description of Business

Cotinga is a clinical stage biopharmaceutical company advancing a pipeline of targeted therapies for the treatment of cancer and other unmet medical needs. Cotinga uses a proprietary drug discovery technology, CHEMSAS®, intended to accelerate the 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.

Cotinga has a second, complementary technology platform, ROSALIND™, designed to correlate the genetic profile of a patient's tumor with available potential drug/drug combinations. This technology is a smart data platform designed to realize the promise of personalized medicine, assisting, oncologists in prescribing the ultimate therapy for individuals.

The Company's ability to advance its technology platforms and development programs, as discussed below, in the fourth quarter and in fiscal 2019 is highly dependent upon the outcome of its financing efforts targeted to close in April 2018. The extent of such financing may require the Company to reprioritize or alter its strategies in respect of these programs.

a) Pipeline

COTI-2

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. Extensive preclinical studies demonstrated COTI-2's ability to restore mutant p53 function and induce cancer cell death in a tumor-agnostic manner, with specific and non-toxic properties. The initial therapeutic indication for COTI-2 is in gynecologic cancers, which includes ovarian, cervical, and endometrial cancers, and where the incidence rate of p53 mutations is up to 95% in ovarian cancer. COTI-2 holds a FDA issued orphan drug designation for ovarian cancer. A Phase 1 clinical trial with COTI-2 in gynecological

cancers (the "Trial") completed the dose escalation phase in August 2017 at the University of Texas, MD Anderson Cancer Center ("MDACC") in Houston, and the Lurie Cancer Center at Northwestern University ("NWU") in Chicago.

A Phase 1 dose-escalation expansion arm was initiated in a second indication, HNSCC, in August 2017 at MDACC, with the first patient dosed in October 2017 as announced on October 11, 2017. The Company has further plans to expand the Trial into other p53-mediated cancers and into combination trials with approved chemo- and radiotherapeutics.

COTI-219

The Company declared its second clinical candidate, COTI-219, in October 2016. COTI-219 is a novel oral small molecule compound targeting KRAS. KRAS gene 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 normal KRAS function, representing an unmet clinical need and a very desirable drug target. COTI-219 is currently in GMP manufacturing and definitive preclinical studies to support an investigational new drug ("IND") filing.

b) Technology Platforms

The Company will continue to maintain and test its CHEMSAS® platform to support assessment and development of novel drug therapies and evaluate the Company's library of small molecules. This includes identifying new biological and chemical assay datasets for possible incorporation and ensuring compatibility with operating system and third party software updates.

The Company will also continue to test its ROSALIND™ platform, advancing a validation study to build a 100-patient database reflecting the evaluation of outcomes from the ROSALIND™ analysis and its report recommendations. Experimental ROSALIND™ assessments to suggest potential tumor sensitivities continue to be requested by cancer patients and their physicians internationally. Validation testing of ROSALIND™ will continue subject to securing sufficient funding to permit ongoing investment in this platform in fiscal 2019.

Operational Progress and Outlook

a) Operations

The Company's focus in the third quarter of fiscal 2018 continued to be on 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, and the progression of the dose escalation phase in patients with HNSCC.

The Company announced on August 14, 2017, that it had completed the patient dosing portion of the dose escalation trial in gynecological malignancies, and reported preliminary safety and tolerability results. Pharmacokinetic (PK) data from the gynecological arm were released on November 15, 2017, and pharmacodynamic (PD) and efficacy data were released on December 19, 2017. Based on the

accumulated data from the Phase 1 trial in gynecological malignancies, the Company confirmed its support for the continued development of COTI-2 as a potential cancer treatment.

Other potential indications for COTI-2 include combination studies with currently approved chemo- and radiotherapies as well as other solid tumor types in which p53 plays a major role.

The Company continued to advance its second clinical candidate, COTI-219, through IND-enabling studies in the third quarter of fiscal 2018. The primary focus this quarter was the continuation of the GMP manufacturing campaign, which was contracted in late Q4 2017. Studies to further understand the mechanism of action of COTI-219 are ongoing.

b) Financing

The Company completed a non-brokered private placement in the second quarter, raising gross proceeds of approximately $2.1 million CAD to support the ongoing development of COTI-2 through the third quarter as the Company advanced a second cancer indication, HNSCC, in the Trial. Details related to financing activities are highlighted in the "Liquidity and Cash Resources" section and financing continues to be a priority and necessity for the balance of the fiscal year and for fiscal 2019. With this focus, the Company continued seeking additional financing to fund operations as a major priority during the third quarter with a broader focus on institutional and other accredited investors in the life sciences sector in the United States. Accordingly, the Company engaged a U.S. investment bank to act as exclusive placement agents for a cross-border private placement equity raise during the quarter. It is the top priority of the Company to complete a financing in April 2018. Notwithstanding these efforts, the Company continues to explore government funding, co-development project funding from interested partners, and strategic partnership agreements for COTI-2 or one of its other assets.

Analysis of Financial Results Third Quarter Fiscal 2018

Summary financial information for the three and nine month periods ended January 31, 2018 and 2017 (Q3-F'18 and Q3-F'17, YTD-F'18 and YTD-F'17) is set out in Table 2. The Company recorded a loss of $0.08 per share for the third quarter compared to a loss of $0.08 per share in the prior year. The comparable loss over the quarters was related to a different mix of expense categories in each period. Research and product development and General administration expense both declined substantially during Q3-F'18 compared to the prior period, being declines of 18% and 40 % respectively. The reduced expenditures in these categories were offset by a much lower gain on the change in fair value of the warrant liability in Q3-F'18 than occurred in Q3-F'17.

On a year to date basis the Company recorded a loss of $0.21 per share on more shares outstanding compared to $0.29 in the prior year with a significant favourable reduction in the loss recorded of approximately $1,000,000. This reduction was primarily in General and administration expenses of approximately $570,000, and approximately $700,000 in a lower valuation of the warrant liability, offset

by an approximately $176,000 increase in Research and product development expense between the periods.

Table 2 – Summary Financial Information – Third Quarter Comparatives

	Three months ended		Nine months ended		Q3 - F'18 Change	YTD - F'18 Change
	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	$ 123,423	$ (182,033)
Sales and marketing	64,704	90,316	185,563	301,633	25,612	116,070
General and administration	780,571	1,299,909	2,304,962	2,876,519	519,338	571,557
Investment tax credits	-	(36,775)	(17,999)	(115,942)	(36,775)	(97,943)
	1,405,863	2,037,461	4,695,369	5,103,020	631,598	407,651
Loss before finance income (expense)	(1,405,863)	(2,037,461)	(4,695,369)	(5,103,020)	631,598	407,651
Finance income (expense):						
Interest and financing, net	370	10,346	1,584	34,399	(9,976)	(32,815)
Change in fair value of warrant liability (note 9)	109,881	809,409	1,408,737	706,157	(699,528)	702,580
Foreign exchange gain	17,098	(20,721)	(16,241)	60,688	37,819	(76,929)
	127,349	799,034	1,394,080	801,244	(671,685)	592,836
Loss and comprehensive loss	$ (1,278,514)	$ (1,238,427)	$ (3,301,289)	$ (4,301,776)	$ (40,087)	$ 1,000,487
Loss per share:						
Weighted average shares outstanding	16,687,081	14,903,995	15,733,224	14,817,953	1,783,086	915,271
Basic and diluted loss per common share	$ (0.08)	$ (0.08)	$ (0.21)	$ (0.29)	$ -	$ 0.08

Revenue

There was no revenue generated in Q3-F'18 or in the comparative periods.

Expenses

As highlighted in Table 2, operating expenses decreased quarter over quarter from $2,037,461 for Q3-F'17 to $1,405,863 for Q3-F'18, a decrease of $631,598. On a year to date basis operating expenses decreased $407,651 over the comparable nine month period. The expense categories affecting these expense decreases were relatively consistent in the quarter and nine month comparisons and related primarily to an increase in Research and product development ("R&D") expense and lower investment tax credits earned offset by a significant decrease in General and administration ("G&A") expense and Sales and marketing ("S&M") expense.

a) R&D Expense

Table 3 shows R&D expense by major expense type for the comparable quarterly periods ended January 31. The decrease of $123,423 in R&D expense quarter over quarter was attributable primarily to a decrease in Clinical trial expenses, Synthesis and miscellaneous R&D expenses, and Share-based compensation.

Clinical trial expenses decreased in the quarter and year to date compared to Q3-F'17 primarily due to the lower level of patient treatment activity occurring in Q3-F'18. The Company completed the dose

escalation phase of its gynecological study during Q2-F'18 and announced on August 14, 2017 that this phase of the Trial had been completed and that the Company was advancing the Trial into the HNSCC indication.

Synthesis and miscellaneous R&D expense decreased in Q3-F'18 and increased on a YTD-F'18 basis primarily related to the timing of expenditures for the advancement of COTI-219 in GMP manufacturing and associated IND-enabling studies. Expenditures on COTI-219 in Q3-F'18 were $15,968 (YTD-F'18 $330,502 or 82.8%) offset by adjustments made for an over accrual and the reallocation of an *in vitro* expense previously booked to this expense in error in the prior quarter. The completion of a contract for synthesizing the MRSA project molecules that was finalized in Q1-F'18 accounted for a further $38,867 or 9.7% of the YTD-F'18 synthesis expenditures.

There was a decrease in share-based compensation in Q3-F'18 and in YTD-F'18 compared to the prior year, related to stock options awarded to employees in October 2016 that were fully vested in October 2017 and did not recur in October 2017.

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

	Q3-F'18	Q3-F'17	Change
Synthesis and miscellaneous R&D expenses	$ (5,241)	$ 23,456	$ 28,697
Clinical trial expenses	148,072	213,499	65,427
In vivo/in vitro testing	160,441	154,261	(6,180)
	303,272	391,216	87,944
Salaries and benefits	203,502	203,438	(64)
Other	42,207	49,748	7,541
	548,981	644,402	95,421
Share-based compensation	11,607	39,609	28,002
Total	$ 560,588	$ 684,011	$ 123,423

	YTD-F'18	YTD-F'17	Change
Synthesis and miscellaneous R&D expenses	$ 399,133	$ 115,133	$ (284,000)
Clinical trial expenses	437,915	808,734	370,819
In vivo/in vitro testing	389,328	339,577	(49,751)
	1,226,376	1,263,444	37,068
Salaries and benefits	690,455	546,618	(143,837)
Other	231,664	148,678	(82,986)
	2,168,875	1,958,740	(210,135)
Share-based compensation	53,968	82,070	28,102
Total	$ 2,222,843	$ 2,040,810	$ (182,033)

The increase in Salaries and benefits year to date primarily reflects a higher head count in R&D through the first nine months of fiscal 2018 compared to the prior year, and market-based salary increases to select R&D personnel between the comparable periods.

The increase in Other expenses year to date compared to the prior year relates to the Company's decision to abandon pursuit of a U.S. patent for the Company's ROSALIND technology. This decision was based upon significant obstacles in challenging the examiners' rejection of the Company's claims for the technology to be considered a method of treatment and therefore eligible for patent protection; the examiners concluded that, as a computer software technology, ROSALIND was not patentable subject matter. This resulted in $125,958 in costs that were previously capitalized in patents pending to be expensed.

b) G&A Expense

G&A expense decreased $519,338 during the quarter compared to the prior year and decreased $571,557 on a year to date basis year over year. Table 4 provides a breakdown of G&A expense by major expense type for the comparable three and nine month fiscal periods ended January 31. The decrease in expense in the quarter and year to date is primarily attributed to a reduction in Salaries and benefits, Share-based compensation expense, and Marketing and travel. Decreases in those expense categories during the quarter were partially offset primarily by an increase in Professional fees and Corporate governance. On a year to date basis, decreases in those expense categories were partially offset by increases in Rent and Insurance.

The decrease in salaries and benefits between the quarterly and year to date periods is primarily attributed to the January 30, 2017 departure of the Company's founder and former Chief Executive Officer. Per his employment contract, the Company was required to pay salary continuation payments over a twenty-four month period, and accrued $600,000 in respect of this contractual obligation at that time. This decrease was partially offset by market-based salary increases to G&A personnel between the comparable periods.

The lower Share-based compensation expense in Q3-F'18 and year over year primarily reflects the issuance of share option awards in the prior year to employees and consultants that did not recur in fiscal 2018.

Marketing and travel expenses were lower in Q3-F'18 and YTD-F'18 than the prior year primarily due to not renewing certain support software expiring in fiscal 2017, and a reduction in the frequency and number of employees travelling.

The increase in Professional fees of $40,524 during the quarter compared to the prior year related primarily to an increase in investor relations consulting and legal fees, offset by lower human resource consulting, audit and accounting fees.

The increase in Corporate governance expense of $26,428 in Q3-F'18 relates primarily to the timing of the Annual General Meeting, and the legal fees and related costs associated with preparing for and conducting this meeting. The meeting took place on December 20, 2017 (Q3-F'18) compared to October 13, 2016, (Q2-F'17). On a year to date basis the decline in Corporate governance is primarily attributable to lower legal fees in support of these activities than in the prior year.

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

	Q3-F'18	Q3-F'17	Change
Salaries and benefits	$ 278,890	$ 730,170	$ 451,280
Professional fees	156,758	116,234	(40,524)
Amortization	53,647	54,104	457
Corporate governance	55,761	29,333	(26,428)
Marketing and travel	26,453	54,392	27,939
Rent	25,333	22,956	(2,377)
Insurance	20,858	22,134	1,276
Other	26,270	23,729	(2,541)
	643,970	1,053,052	409,082
Share-based compensation	136,601	246,857	110,256
Total	$ 780,571	$ 1,299,909	$ 519,338

	YTD-F'18	YTD-F'17	Change
Salaries and benefits	$ 821,389	$ 1,192,417	$ 371,028
Professional fees	400,781	438,050	37,269
Amortization	166,522	165,940	(582)
Corporate governance	144,671	162,555	17,884
Marketing and travel	101,719	153,582	51,863
Rent	81,915	52,221	(29,694)
Insurance	62,549	54,868	(7,681)
Other	57,619	54,473	(3,146)
	1,837,165	2,274,106	436,941
Share-based compensation	467,797	602,413	134,616
Total	$ 2,304,962	$ 2,876,519	$ 571,557

The increase in Rent expense in the quarterly and year to date comparisons reflects the Company's expansion into the United States with the opening of a Boston office in Q2-F'17 and the timing of subsequent additional space leased since the initial opening.

Insurance expense increased in Q3-F'18 and YTD-F'18 related to the Company increasing its clinical trial liability insurance to cover an increase in potential patients treated under the trial protocol following the addition of the HNSCC trial arm announced in August 2017, and an increase in directors' and officers' liability coverage obtained in March 2017 due to the Company's progression as a clinical stage company.

c) 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'18	Q3-F'17	Change
Professional fees	$ 21,756	$ 22,500	$ 744
Marketing and travel	4,300	59,434	55,134
Salaries and benefits	8,364	8,250	(114)
Other	30,284	132	(30,152)
Total	$ 64,704	$ 90,316	$ 25,612

	YTD-F'18	YTD-F'17	Change
Professional fees	$ 126,444	$ 183,186	$ 56,742
Marketing and travel	8,401	102,038	93,637
Salaries and benefits	8,364	15,797	7,433
Other	42,354	612	(41,742)
Total	$ 185,563	$ 301,633	$ 116,070

The Marketing and travel expense decrease for the quarter and year to date reflects a reduction in the number of Company representatives at business development conferences as well as a shift in the conferences being attended during Q3-F'18 compared to Q3-F'17. Further, there was a change in the allocation of such expenses between G&A and S&M related to the President & CEO.

The decrease in Professional fees for YTD-F'18 compared to the prior year relates to a decrease in the use of business development consultants as this activity was handled internally commencing in Q2-F'17.

The increase in Other expense for the comparable periods reflects costs related to the Company's name change and rebranding efforts incurred in Q3-F'18 with the name change approved by the shareholders at the December 20, 2017 AGM and effective on January 10, 2018.

d) Investment Tax Credits ("ITC")

The ITC income decrease of $36,775 in Q3-F'18 compared to Q3-F'17 relates to lower R&D expenditures qualifying for refundable ITC compared to the prior period both in eligible internal labour costs and third party testing. The decrease in ITC was also reflected in the year to date comparisons, with a decrease of $97,943 compared to YTD-F'17.

e) Interest and Financing

The decrease in interest income in Q3-F'18 and YTD-F'18 compared to the prior year periods related to the substantially lower cash, cash equivalent, and investment balances held by the Company during the comparable periods.

f) Change in Fair Value of Warrant Liability

Under IFRS, the warrant liability must be revalued at each reporting period. For Q3-F'18 this resulted in a decrease in this non-cash expense of $109,881 (YTD-F'18: $1,408,737 compared to a decrease in Q3-F'17 of $809,409 (YTD-F'17: 706,157). The majority of this change occurred in Q1-F'18 as shown by the key assumptions in Table 6 below. Those factors having the greatest impact included an increase in price volatility, a decline in the USD-CAD exchange rate, a shorter estimated life, and a decline in the Company's share price.

Table 6: Key Assumptions of Warrant Liability Remeasurement

	Key Assumption	Q3-F'18	Q2-F'18	Q1-F'18	April 30, 2017
1	Estimated volatility	85.12 - 86.55%	83.00 - 84.73%	80.85 - 82.37%	71.53 - 72.11%
2	USD-CAD foreign exchange rate	1.2314	1.2893	1.2478	1.3654
3	Estimated life in years	1.70 - 1.81	1.94 - 2.05	2.19 - 2.28	2.46 - 2.57
4	Market price in CAD	$0.75	$1.15	$1.15	$3.80
5	Exercise price in USD	$3.40	$3.40	$3.40	$3.40

g) Foreign Exchange Gain

The Company realized a foreign exchange gain in Q3-F'18 as a result of the strengthening of the Canadian dollar since the April 30, 2017, year-end as noted by the rate changes seen in Table 6. When compared against Q3-F'17 the swing from a loss to a gain on foreign exchange relates to the net USD balance position (excluding the warrant liability) being carried in the respective periods (Q3-F'18 net USD liability $(787,529); Q3-F'17 net USD asset $227,842) and fluctuations in the CAD/USD exchange rates throughout the periods.

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 2018	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(242,005)	(1,780,770)	(1,278,514)	-	(3,301,289)
Loss per common share [(1)]	$ (0.02)	$ (0.11)	$ (0.08)	$ -	$ (0.21)

FYE 2017	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(2,315,063)	(748,286)	(1,238,427)	(1,907,114)	(6,208,890)
Loss per common share [(1)]	$ (0.16)	$ (0.05)	$ (0.08)	$ (0.13)	$ (0.42)

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 [(1)]	$ (0.09)	$ (0.07)	$ (0.05)	$ (0.18)	$ (0.39)

(1) The Loss per common share as presented is for both basic and diluted earnings per share and has been adjusted to reflect the common share consolidation that was effective June 30, 2017.

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 was relatively stable during fiscal 2016 with some variability around the quarterly average expense of approximately $410k and then increased during FYE 2017 primarily related to transitional costs associated with leadership succession and other additions to the management team. The trend in FYE 2018 reflects a decrease in the expense levels of FYE 2017 resulting from completion of the transitional leadership activities.

R&D expense increased gradually starting in the first quarter of FYE 2016 following the FDA approval to commence the COTI-2 Phase 1 clinical trial. This rising expense trend continued through fiscal 2017 and leveled off in the last few quarters of that year with the Trial progressing at a consistent pace into fiscal 2018. The increase in R&D in Q2-F'18 reflects the increased costs associated with ramping up preclinical work primarily related to COTI-219.

A significant increase occurred in share-based compensation during FYE 2017 and levelled off in fiscal 2018. This FYE 2017 increase primarily reflected the use of milestone and retention based stock option awards in compensation plans related to the addition of senior personnel.

On a total expense basis, these three categories increased as a portion of overall costs over the two year period from 89.7% at FYE 2016 to 96.1% at the end of FYE 2017, to 96.4% for the nine months of FYE 2018.

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 primary factor in the significant swings in the loss reported over the two years. In fiscal 2018, the change in fair value resulted in the recognition of a non-cash gain of $1,408,737 which is the major factor in the decreased loss reported year to date in fiscal 2018 (see section (f) of the "Analysis of Financial Results Third Quarter Fiscal 2018" for more information).

Table 8: Selected Quarterly Expense Categories [(1)]

FYE 2018	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
General and administration	$ 578,347	$ 613,203	$ 643,970		$ 1,835,520
Research and product development	641,282	978,609	548,981		2,168,872
Share-based compensation	228,669	144,889	148,208		521,766
Total of expense categories	1,448,298	1,736,701	1,341,159		4,526,158
Total expense for the quarter	$ 1,515,980	$ 1,773,526	$ 1,405,863		$ 4,695,369
Expense categories as a % of total expense	95.5%	97.9%	95.4%		96.4%

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	$ 741,441	$ 3,015,547
Research and product development	597,843	716,495	644,402	661,114	2,619,854
Share-based compensation	116,171	281,847	286,466	349,435	1,033,919
Total of expense categories	1,267,903	1,665,507	1,983,920	1,751,990	6,669,320
Total expense for the quarter	$ 1,330,945	$ 1,734,614	$ 2,037,461	$ 1,836,652	$ 6,939,672
Expense categories as a % of total expense	95.3%	96.0%	97.4%	95.4%	96.1%

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%

(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 is included in the functional expense categories in the financial statements but has been removed from the functional disclosure in the table and shown as a separate expense category.

Liquidity and Cash Resources

The Company's cash resources include cash, cash equivalents, and investments. Cash equivalents are invested in money market instruments with maturities of three months or less. At January 31, 2018, investments consisted of a single Canadian provincial government USD stripped bond with a cost of $60,842 and a fair value of $55,688.

Table 9 summarizes the changes in cash resources for Q3-F'18 and Q3-F'17. At the end of Q3-F'18, the Company had cash resources of $431,780 compared to $3,398,309 at the end of Q3-F'17, reflecting a decrease of $2,966,539. The difference in the cash resource balance year over year primarily reflects the greater starting cash position in Q3-F'17 as operating activity expenditures were relatively similar between the nine month periods. The Company completed a private placement in Q2-F'18 for proceeds of $2,054,504. It did not complete any financings in fiscal 2017 but relied upon cash raised from private placements and warrant exercises in the latter part of fiscal 2016 and warrant exercises in early fiscal 2017, generating gross proceeds of $1,848,792, to fund operations throughout fiscal 2017 and into fiscal 2018.

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

	Q3-F'18	Q3-F'17
Provided by (used in):		
Operating activities	$ (3,534,887)	$ (3,236,679)
Investing activities	1,164,001	61,287
Decrease in cash resources before financing activities	(2,370,886)	(3,175,392)
Proceeds from issuance of common shares and warrants	2,060,818	1,848,792
Proceeds from settlement of warrant liability	-	32,786
Costs of issuance common shares and warrants	(117,190)	(2,484)
Costs of issuing stock options	(3,800)	-
Investment tax credit recoveries	92,329	83,715
Interest paid	(2,773)	(1,613)
Decrease in cash resources	(341,502)	(1,214,196)
Less: unrealized foreign exchange loss on cash resources	8	32,398
Cash resources - beginning of period	773,364	4,580,107
Cash resources - end of period	$ 431,870	$ 3,398,309

See Use of Non-GAAP Financial Measures.

1. Financing Strategy and Current Activity

Since inception the Company has financed its operations through private equity issuances almost exclusively with Canadian accredited investors. While historically successful in efforts to support early stage and preclinical activities, the Company's financing needs increased as it progressed to a clinical stage company and was increasingly challenged in its ability to obtain sufficient funding for these higher

expenditure needs. In fiscal 2017, the Company intensified its efforts to broaden its investor base to include institutional and other accredited investors in the U.S. life sciences market as a key part of its financing strategy.

In support of this strategy, the Company announced earlier in the fiscal year, on June 23, 2017, that with the approval of the Company's shareholders obtained on October 13, 2016, the Company was proceeding with a consolidation of the Company's issued and outstanding common shares based on ten pre-consolidation common shares for one post-consolidation common share (the "Consolidation"). The Company's common shares commenced trading on a consolidated basis on June 30, 2017. The intent of this consolidation was to adjust the Company's capital structure to support investment from the US institutional market by decreasing the number of shares outstanding and increasing the market price of the shares to satisfy share price restrictions from certain investment funds.

In Q2-F'18, the Company announced it had raised gross proceeds of approximately $2.1M in a non-brokered private placement with Canadian accredited investors consistent with its prior funding approach. While this financing supported the advancement of corporate objectives into Q4-F'18, primarily the continuation of the Phase 1 clinical trial of COTI-2, proceeds were deemed insufficient to sustain operations to the end of the fiscal year, being April 30, 2018, and in Q3-F'18, the Company entered into an agreement with a U.S. investment bank to act as exclusive placement agent for a cross-border private placement equity raise on a best efforts basis. While the success of the financing is not certain, it is the Company's objective to complete this raise in April 2018.

As set out in Working Capital below, the Company has a working capital deficiency of $1,317,834 at January 31, 2018 and as set out in the financial statements a shareholders' deficit of $ 244,190. The Company is dependent on successfully obtaining further financing, and as such there is significant doubt about the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent on: completing a financing to raise sufficient working capital to maintain operations in April 2018; reducing operating expenses; and adjusting its development programs in relation to its available working capital. In support of these objectives, the Company undertook certain internal restructuring initiatives during the fiscal year to further reduce operating expenses and focus its development programs on its lead asset, COTI-2. These efforts are expected to reduce the Company's financing needs moving forward. If the financing efforts are unsuccessful, the Company may be forced to consider various strategic alternatives for the business that could include, and may not be limited to, a capital restructuring, a sale of assets or other organizational changes.

2. Future Financing Considerations

Table 14, Outstanding Share Information, sets out the outstanding share information at the date of this MD&A after giving effect to the consolidation and the private placement. Certain of these warrants contain a trigger provision that provides the Company with the discretionary ability to accelerate 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 1.3 times the exercise price set out in the warrant certificate. 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 will expire.

To the extent these warrants are exercised will be a function of the market price of the Company's underlying common shares and investor perspectives on the opportunity for shareholder value creation over the investment time horizon for each individual investor.

Management believes that continued achievement of milestones, such as the progression of COTI-2 in clinical milestones and the advancement of its preclinical pipeline will be supportive of an increase in shareholder value and may provide the Company with an opportunity to realize funding from a portion of these outstanding warrants in calendar 2018 and 2019. 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 [(1)]	CAD Proceeds
Trigger	3,195,717	$ 9,289,448
No trigger	76,923	200,000
	3,272,640	$ 9,489,448

[(1)] Adjusted for the consolidation of June 30, 2017

Table 11 sets out the market prices at which the trigger prices would be reached for those warrants that have an acceleration clause that would allow management to use its discretion in accelerating the forced exercise.

Table 11: Warrants with Accelerated Expiry Dates and Estimated Trigger Prices [(1)]

	Exercise Price	Exercise Currency	# of Warrants	[(1)] Estimated Trigger Price	CAD Proceeds
Warrants	$ 1.21	CAD	1,822,418	$ 2.4200	$ 2,205,126
Compensation Warrants	$ 2.90	CAD	16,281	$ 3.7700	47,215
Compensation Warrants [(1)]	$ 2.60	USD	46,075	$ 4.3582	154,464
Warrants	$ 3.80	CAD	309,937	$ 4.9400	1,177,761
Warrants [(1)]	$ 3.40	USD	1,001,006	$ 5.6991	5,704,883
Totals			3,195,717		$ 9,289,448

Note: [(1)] These estimated trigger prices were calculated based upon the closing price of the USD-CAD exchange rate at March 29, 2018. These trigger prices will vary based upon fluctuations in this conversion rate.

As the extent and timing of warrant exercise as a source of financing is uncertain, the Company continues to look at alternative financing sources to support operations going forward.

3. Investing Activities

Investing activities YTD-F'18 totaled $64,803 consisting of $3,941 in computer equipment (YTD-F'17 – $12,758), and $60,862 in patent expenditures (YTD-F'17 – $106,065). Investment in such items will continue as the Company builds upon and protects its molecule pipeline.

The Company conducts periodic reviews of its tangible and intangible assets for impairment indicators associated with these assets. In Q2-F'18, the Company abandoned its efforts to obtain a U.S. patent related to its ROSALIND technology that was initially filed in December 2012. The major and most difficult objection to overcome with the US Patent & Trademark Office examiners was a rejection on the basis that the invention in their view was predominantly software based and accordingly is not a patentable subject matter. The Company had sought to obtain a patent on the technology as a method of treatment but determined that further efforts to pursue this patent had a low probability of success. The inability to obtain patent protection does not impact the Company's ability to develop this technology in the future as the technology will remain proprietary. As a result of the decision to abandon the patent, the Company expensed $125,958 in patent pending costs previously capitalized.

4. Working Capital

The Company had Adjusted Working Capital at Q3-F'18 showing a deficit of $1,267,389 compared to $972,482 in working capital at FYE 2017 (see Table 16). 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 at Use of Non-GAAP Financial Measures. The negative working capital position highlights the importance of the Company's pursuit of financing to continue operations.

Current assets decreased to $853,371 at Q3-F'18 from $2,719,543 at the F'17 year end for a decrease of $1,866,172 primarily due to a decrease in Cash Resources. Current liabilities decreased $1,035,038 to $2,171,205 at Q3-F'18 from $3,206,243 at the F'17 year end due to a decrease of $1,408,737 in the Warrant liability.

The Company's exposure to fluctuations in the recoverability of its financial assets is limited and the short-term, liquid nature of its 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, 2018 to pay for the completion of work primarily under research and development contracts related to the COTI-2 Trial. The Company currently expects the Trial to conclude in fiscal 2020. Payment timing of Trial costs is subject to the actual timing of Trial activities such as the enrollment of patients, completion of patient testing, and administration of drug, as well as the negotiated payment terms with the Trial site. Summary details of the estimated timing of the Company's commitments are set out below.

Table 12: Contract Commitments

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

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. 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 low.

During Q3-F'18, the Company's foreign exchange exposure was related primarily to the USD. The Company's foreign currency exposure at the quarter end is set out in Table 13 below. The warrant liability relates to 1,001,006 outstanding common share purchase warrants exercisable at $3.40 USD that could generate USD proceeds for the Company (see Table 14). 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. 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 increased 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.

Table 13: Foreign Exchange Balances Held

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)

Related Party Transactions

Material transactions with related parties during Q3-F'18 were in the ordinary course of business. During the quarter an award of 346,428 share options was made to the Directors for their annual compensation related to the ensuing Board year.

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).

Outstanding Share Information

Outstanding share information at the close of business on March 29, 2018 is set out in Table 14.

Table 14: Outstanding Share Information

	Outstanding	Expiry Date
Common shares		
Authorized - unlimited		
Issued	16,696,515	
Diluted [(1)]	21,402,523	
Weighted average outstanding [(2)]	15,897,839	
Common share warrants [(3)]		
$1.21 warrants	1,771,124	Sep 19 - Oct 17/18
$1.21 compensation warrants	51,294	Sep 19 - Oct 17/18
$2.60 warrants	76,923	Feb 4/19
$3.40 USD warrants [(3)]	1,001,006	Oct 16 - Nov 24/19
$2.60 USD compensation warrants	46,075	Oct 16 - Nov 24/19
$3.80 warrants	309,937	Dec 18/19 - Feb 16/20
$2.90 compensation warrants	16,281	Dec 18/19 - Feb 16/20
	3,272,640	
Common share stock options		
$1.20 - $2.50	478,537	Dec 4/18 - Mar 19/20
$2.51 - $5.00	619,489	Oct 21/19 - Mar 1/22
$5.01 - $7.20	335,342	Jul 4/21 - Jul 16/21
	1,433,368	

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

[(2)] Weighted average shares outstanding calculated from May 1, 2017 to the close of business on March 29, 2018.

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

Subsequent to the quarter-end, the Company was successful in resolving an arbitrated dispute with an advisory firm. The arbitration award received on February 12, 2018, resulted in a total of 300,000 warrants, adjusted on a post-consolidation basis, that were issued to the advisory firm in 2014 and exercisable at a price of USD $1.90 being cancelled, as reflected in the table above.

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. Cotinga became a clinical stage company in Q4-F'16 upon initiating a Phase 1 trial for COTI-2. Realizing Cotinga's long-term potential may occur through the successful development, licensing and/or commercialization of molecules discovered and wholly owned by the Company.

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

a) Going Concern Risk

The Company's remaining goals for fiscal 2018 include continuing the Phase 1 dose escalation phase of the COTI-2 Trial in patients with HNSCC, completing its analysis of Phase 1 exploratory endpoints in gynecological malignancies, and initiating combination trials for COTI-2; progressing COTI-219 through the required manufacturing and preclinical studies to enable a successful IND application submission; continuing the development of its internal pipeline of drug candidates; and progressing the validation phase of the ROSALIND™ platform. As with most early-clinical-stage biotech companies, Cotinga 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 risks associated with raising sufficient funds for the Company to accomplish its goals.

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 the balance of fiscal 2018 and future years. The Company is taking steps to address the going concern risk by actively pursuing sources of financing as noted under Financing above, 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 Company's financial statements were prepared assuming that the Company would 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 its financial statements. Accordingly, the Company's 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.

b) Uncertainties Related to Research

Like other biotech and pharmaceutical companies, Cotinga'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* (cellular) models and *in vivo* (animal) models, 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:

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

ii. the requirements of clinical investigator institutions;

iii. the potential failure to achieve the targeted safety and efficacy endpoints of the specific trial;

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

v. 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;

vi. 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,

vii. 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. Cotinga continues to develop relationships with prospective customers and to selectively seek strategic licensing and collaboration opportunities. The Company has not entered into a licensing agreement to date and will to continue to 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. Cotinga 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 clinical trials 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 Cotinga's other compounds. There is also no certainty that Cotinga can obtain licensing terms that are acceptable or that indicate a commercially viable market for its products.

f) Access to Capital

Cotinga 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, Cotinga may have to delay, reduce or eliminate one or more of its R&D programs, or obtain funds on less favourable terms, or cease operations. 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. 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 from time to time. 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 has included three non-GAAP financial measures, Cash Resources, Adjusted Working Capital, and Common Share Warrants Outstanding 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 when presented by other issuers.

a) Cash Resources

The Company looks at its cash available 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 investment held by the Company at Q3-F'18 is a relatively readily-cashable government bond, so the Company treats it for management purposes as Cash Resources. Accordingly, management believes the inclusion of the investment as part of Cash Resources provides more meaningful information related to the liquidity of the Company, and the cash available for operations.

Table 15: Reconciliation to Cash

	January 31, 2018		April 30, 2017	
	Cash per MD&A	Cash per Financial Statements	Cash per MD&A	Cash per Financial Statements
Cash and cash equivalents	$376,182	$376,182	$717,676	$717,676
Short-term investment	55,688	-	1,291,160	-
Cash	$431,870	$376,182	$2,008,836	$717,676

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 16.

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 16: Adjusted Working Capital

	January 31, 2018	April 30, 2017
Amounts per financial statements:		
Current assets	$853,371	$2,719,543
Current liabilities	2,171,205	3,206,243
Working capital	(1,317,834)	(486,700)
Adjustment for non-cash items:		
Warrant liability	50,445	1,459,182
	($1,267,389)	$972,482

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 warrants 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.

Table 17: Reconciliation of Common Share Warrants Outstanding

	January 31, 2018		April 30, 2017	
	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	2,818,018	2,818,018	2,216,316	2,216,316
Warrants included in warrant liability	1,001,006	-	1,001,006	-
Total outstanding warrants	3,819,024	2,818,018	3,217,322	2,216,316

Changes in Accounting Policies

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

(a) Accounting pronouncements not yet adopted

The IASB has issued new standards and amendments to existing standards. These changes in accounting were not yet effective at May 1, 2017, the start of the current fiscal year, and could have an impact on future periods. The Company does not expect the amendments to have a material impact on the financial statements. The new or amended standard that may affect the Company for the financial reporting year ended April 30, 2018, is set out below. Management is assessing the impact of this standard 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, 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.