COTINGA PHARMACEUTICALS INC.
FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019 AND 2018
(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cotinga Pharmaceuticals Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cotinga Pharmaceuticals Inc. (the Company), which comprise the statements of financial position as at April 30, 2019 and 2018, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 3 in the financial statements, which indicates that the Company incurred a comprehensive loss of $2,697,281 during the year ended April 30, 2019. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management's discussion and analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

SDVC LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
September 3, 2019

Cotinga Pharmaceuticals Inc.

Statements of Financial Position
(Expressed in Canadian Dollars)

	As at April 30, 2019	As at April 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents	**$ 224,612**	$ 40,731
Investment tax credits and HST receivables	**4,380**	65,389
Prepaid expenses and deposits	**276,581**	386,425
Total current assets	**505,573**	492,545
Non-current assets		
Equipment (note 8)	**992**	11,679
Intangible assets (note 9)	**741,729**	1,028,178
Total assets	**$ 1,248,294**	$ 1,532,402
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	**$ 3,447,693**	$ 3,092,788
Warrant liability (note 11)	**37**	20,628
Demand loan (note 12)	**199,970**	-
Total current liabilities	**3,647,700**	3,113,416
Shareholders' Equity / (Deficiency)		
Share capital (note 13)	**33,888,796**	32,885,457
Warrants	**951,612**	802,095
Contributed surplus	**7,234,508**	6,508,475
Deficit	**(44,474,322)**	(41,777,041)
Total shareholders' equity / (deficiency)	**(2,399,406)**	(1,581,014)
Total liabilities and shareholders' equity / (deficiency)	**$ 1,248,294**	$ 1,532,402

The accompanying notes to the financial statements are an integral part of these statements.

Going concern (note 3)
Subsequent event (note 20)

Approved on behalf of the Board:

(Signed) "Ms. Alison Silva" Director, President and CEO

(Signed) "Mr. John C. Drake" Director, Chairman of the Board

Cotinga Pharmaceuticals Inc.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended April 30, 2019	Year Ended April 30, 2018
Operating expenses (income)		
Research and product development (note 17)	**$ 780,509**	$ 2,767,279
Sales and marketing (note 17)	**101,591**	312,866
General and administrative (note 17)	**1,919,227**	3,239,986
Investment tax credits	**(52,265)**	(43,890)
Loss before finance income (expense)	**(2,749,062)**	(6,276,241)
Finance income (expense):		
Interest and financing, net	**(4,681)**	1,232
Change in fair value of warrant liability	**20,591**	1,438,554
Foreign exchange gain (loss)	**35,871**	(43,938)
Net loss and total comprehensive loss for the year	**$ (2,697,281)**	$ (4,880,393)
Basic and diluted net loss per share (note 15)	**$ (0.12)**	$ (0.31)
Weighted average number of common shares outstanding	**21,957,429**	15,967,860

The accompanying notes to the financial statements are an integral part of these statements.

Cotinga Pharmaceuticals Inc.

Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended April 30, 2019	Year Ended April 30, 2018
Operating activities		
Net loss for the year	**$ (2,697,281)**	$ (4,880,393)
Adjustments for:		
Amortization - equipment	**10,353**	28,398
Amortization - intangible assets	**102,441**	190,401
Loss on disposal of equipment	**183**	4,704
Impairment - intangible assets	**196,859**	125,958
Share-based payments	**190,341**	758,876
Change in fair value of warrant liability	**(20,591)**	(1,438,554)
Investment tax credits	**-**	(43,890)
Changes in non-cash working capital items (note 18)	**525,758**	1,277,021
Net cash used in operating activities	**(1,691,937)**	(3,977,479)
Investing activities		
Net, redemption of investments	**-**	1,291,160
Sale (purchase) of equipment	**150**	(2,282)
Expenditures on intangible assets	**(12,851)**	(79,832)
Net cash provided by (used in) investing activities	**(12,701)**	1,209,046
Financing activities		
Proceeds from issuance of common shares and warrants	**2,010,162**	2,066,057
Costs of issuing common shares and warrants	**(321,613)**	(117,257)
Proceeds from demand loan	**199,970**	-
Costs of issuing stock options	**-**	(3,800)
Investment tax credit recoveries	**-**	146,488
Net cash provided by financing activities	**1,888,519**	2,091,488
Net change in cash and cash equivalents	**183,881**	(676,945)
Cash and cash equivalents, beginning of year	**40,731**	717,676
Cash and cash equivalents, end of year	**$ 224,612**	$ 40,731

The accompanying notes to the financial statements are an integral part of these statements.

Cotinga Pharmaceuticals Inc.
Statements of Changes in Equity / (Deficiency)
(Expressed in Canadian Dollars)

	Share Capital	Warrants Reserve	Total Share Capital	Contributed Surplus	Deficit	Total
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 13)	1,431,569	505,812	1,937,381	-	-	1,937,381
Share-based compensation	-	-	-	758,876	-	758,876
Option issuance cost	-	-	-	(3,800)	-	(3,800)
Warrants exercised (note 13)	15,028	(3,610)	11,418	-	-	11,418
Warrants expired (note 13)	-	(864,252)	(864,252)	864,252	-	-
Net loss for the year	-	-	-	-	(4,880,393)	(4,880,393)
Balance, April 30, 2018	**$ 32,885,457**	**$ 802,095**	**$ 33,687,552**	**$ 6,508,475**	**$ (41,777,041)**	**$ (1,581,014)**
Issuance of units (note 13)	1,003,339	685,209	1,688,548	-	-	1,688,548
Share-based compensation (note 14)	-	-	-	190,341	-	190,341
Warrants expired (note 13)	-	(535,692)	(535,692)	535,692	-	-
Net loss for the year	-	-	-	-	(2,697,281)	(2,697,281)
Balance, April 30, 2019	**$ 33,888,796**	**$ 951,612**	**$ 34,840,408**	**$ 7,234,508**	**$ (44,474,322)**	**$ (2,399,406)**

The accompanying notes to the financial statements are an integral part of these statements.

1. Corporate information

Cotinga Pharmaceuticals Inc. ("Cotinga" or the "Company") is a public corporation listed in Canada on the TSX Venture Exchange ("TSXV") under the trading symbol "COT". The Company is incorporated under the laws of the Province of Ontario, Canada with its registered office located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, Canada, M5C1P1.

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 year ended April 30, 2019 are indicative of a going concern. For the year ended April 30, 2019, the Company had a loss of $2,697,281 (year ended April 30, 2018 a loss of $4,880,393) and cash used in operations of $1,691,937 (April 30, 2018 - $3,977,479). As at April 30, 2019, the Company had a deficit of $44,474,322 (April 30, 2018 – $41,777,041) which results in deficiency of $2,399,406 (April 30, 2018 – $1,581,014). As at April 30, 2019, the Company had a working capital deficiency of $3,142,127 (April 30, 2018 - working capital deficiency of $2,620,871).

The Company is dependent upon key personnel, the successful completion of the Company's clinical trial for COTI-2 and COTI-219, and success in raising additional funds to support continuing operations and meeting its liabilities and commitments as they become due while executing its strategic business plans for fiscal 2020 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 business development collaboration opportunities, and other strategic initiatives. The Company has discretion with many of its expenditure activities and plans to manage these activities in fiscal 2020 within the limits of available cash resources.

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. There is no certainty that these and other strategies will be sufficient to permit the Company to continue beyond April 30, 2020. 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

Compliance with accounting standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the Accounting Standards Board in Canada effective for the Company's reporting for the year ended April 30, 2019.

The policies applied in these financial statements are based on IFRSs issued and outstanding as of April 30, 2019. The financial statements were authorized to be issued by the Board of Directors ("Board") on September 3, 2019.

Basis of measurement

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

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

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.

Use of estimates and judgements

Critical accounting estimates

The preparation of these 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 financial statements. Actual results could differ materially from these estimates and assumptions. Revisions to these accounting estimates are recognized in the period in which the estimates are revised and applied prospectively to future periods as affected.

The significant estimates and assumptions made by management are set out below.

(i) Share-based compensation
The fair value of share-based compensation is determined using a Black-Scholes option-pricing model, which incorporates management's estimates of the risk free interest rate, the expected dividend yield, the estimated common share price volatility, the estimated option life, and the forfeiture rate as applicable to each award. Prior to fiscal 2017, options were awarded with vesting based on service conditions, however, during the year, the Company awarded share options with vesting based on the achievement of performance conditions. The timing of completion of these performance conditions is uncertain as these conditions are based on the achievement of operational milestones. Accordingly, management is required to make an estimate of the dates for completion of such milestones. These estimates are reviewed at each reporting date for any change in the estimated vesting dates, and to the extent there is a material change in the vesting date estimates, the amortization to be recognized is recalculated for the new timeline estimates and adjusted on a prospective basis.

(ii) Equity warrants:
The fair value of equity warrants is determined using a Black-Scholes option-pricing model, which incorporates management's estimates of the risk free interest rate, the expected dividend yield, the estimated common share price volatility, and the estimated warrant life as applicable to each award.

4. Basis of preparation (continued)

Use of estimates and judgements (continued)

Critical accounting estimates (continued)

(iii) Provision for bonuses
The Company established a compensation plan for executive management to pay an annual fiscal bonus based upon the achievement of specific operational milestones. There is uncertainty surrounding the likelihood, and timing of completion of these milestones. Management is required to recognize a provision for this bonus based upon its assessment of whether it is more likelihood than not that the milestones will be achieved, and an estimate of the completion dates for such milestones. These assessments and estimates are reviewed at each reporting date for any change in the underlying performance and related assumptions in achieving the milestones. The Company's policy is to treat each of the milestones as separate bonus awards with different service periods rather than as one single award accounted for as a whole. The bonus plan contains a stay period payment provision and the bonus expense is recognized over the extended service period that includes the period to completion of the milestone and to the expected bonus payment date. To the extent there is a change in these estimates, the provision is adjusted on a prospective basis.

(iv) Provision for employment disputes
The provision for employment disputes requires management judgment in making the appropriate estimate of the most likely outcome of these matters. The Company accrues a loss for these matters when it is probable that a loss has been incurred and the amount can be reasonably estimated. At the end of each reporting period, the appropriateness of the provision is evaluated, and adjustments may be made to reflect actual outcome or changes in the estimates.

(iv) 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, estimated common share price volatility, expected dividend yield, and the risk free interest rate.

Critical judgements in applying accounting policies

In the preparation of these financial statements, management has made judgements, aside from those involving estimates, in the process of applying its accounting policies. These judgements can have an effect on the amounts recognized in the financial statements. The accounting policies requiring significant judgement are set out below.

(i) Impairment tests of non-financial assets
Non-financial assets with finite useful lives are required to be tested for impairment only when an indication of impairment exists. Management is required to make a judgment with respect to the existence of impairment indicators at the end of each reporting period. This involves judgements based upon a number of inputs, primarily scientific results from the testing of molecules and review of feedback from office actions by patent authorities related to the examination of patent submissions. Additional inputs include: review of peer feedback from presentations of scientific results at scientific conferences, and information received related to competitive products as advised by consultants in intellectual property and business development, or seen in publications. Management further assesses whether a market continues to exist for the output produced by the asset or group of assets and whether there has been a significant change in the way the asset is used or expected to be used.

4. Basis of preparation (continued)

Use of estimates and judgements (continued)

Critical judgements in applying accounting policies (continued)

(i) Impairment tests of non-financial assets (continued)

In addition, significant judgment is required in determining whether the Company operates as one or more cash generating units ("CGU"). The Company has determined all assets belong to a single CGU. The primary considerations in this assessment related to the majority of near term value being attributed to COTI-2, the Company's lead oncology compound that was part of a small library of 10 compounds acquired in 2007. This compound is representative of the library with the majority of development expenses incurred to date on this compound. Financial resource constraints have hindered the ability to develop other compounds at the same rate and speed.

5. Significant accounting policies

The significant accounting policies adopted by the Company are set out below and have been applied consistently to all periods presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and highly liquid investments with maturities at point of purchase of three months or less This will also include cash held in trust with the Compan's lawyers.

Foreign currency translation

Foreign currency transactions are translated into the Company's functional currency at the approximate exchange rates prevailing at the date of the transactions. At the date of each reporting period, the Company's foreign currency monetary items are re-measured using the closing exchange rate in effect at that reporting date. All translation gains and losses are recognized in profit or loss.

Equipment

Details as to the Company's policies for equipment are as follows:

Asset	Measurement Basis	Amortization Method	Amortization Rate	Remaining Amortization Period
Computer hardware	Cost	Straight-line	12 - 36 months	6 - 35 months
Furniture and fixtures	Cost	Straight-line	60 - 120 months	4 - 25 months

Amortization of equipment is included in amortization expense as part of General and administration in the Statements of Loss and Comprehensive Loss.

Any impairment losses are recognized immediately as impairment expense in General and administration in the Statements of Loss and Comprehensive Loss. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized as a gain or a loss on disposal of equipment in General and administration in the Statements of Loss and Comprehensive Loss.

(Expressed in Canadian Dollars)

5. Significant accounting policies (continued)

Intangible assets

Details as to the Company’s policies for intangible assets are as follows:

Asset	Measurement Basis	Amortization Method	Amortization Rate	Remaining Amortization Period
Computer software	Cost	Straight-line	Term of license	2 - 18 months
Molecules	Cost	Straight-line	Life of related patents	145 - 153 months
Patents - granted	Cost	Straight-line	Life of patent	75 - 198 months
Patents - pending	Cost	Not available for use		

Amortization of intangible assets is included in amortization expense in General and administration in the Statements of Loss and Comprehensive Loss from the date they are available for use. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates; all other expenses are recognized in profit or loss as incurred.

The accumulated cost of a molecule, group of molecules, or process investigated for patenting that management determines will not proceed through the patent process, is expensed in the month when the decision is made not to pursue the patent.

Revised its amortization rate related to molecules on a prospective basis. The previous amortization period for the Molecules acquired in November 2007 was 96 months. This period was based upon the original purchase agreement wherein if the contingent purchase consideration for the Molecules was not paid by November 27, 2015, the Molecules were required to be returned to the seller. Because of the settlement of the final payment of contingent purchase consideration during the first quarter of fiscal 2016, the Company reviewed the useful life and the expected pattern of consumption of the future economic benefits of the molecules. The Company determined that the future economic benefit of these Molecules was more appropriately reflected in the period remaining to the date of expiry of certain patents granted for the Molecules. Accordingly, the carrying values of the Molecules commencing June 1, 2015, have been amortized over such future periods. As a result, the Company recognized amortization of $31,006 in the current period and will recognize amortization of $394,950 in future periods, the aggregate of which would otherwise have been expensed in fiscal 2016, and there would have been no further recognition of Molecules in the Statements of Financial Position in the current or subsequent periods.

Research and product development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are charged as an expense in the period in which they are incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to complete development, and to use or sell the asset. To date there have been no development costs capitalized

5. Significant accounting policies (continued)

Impairment of non-financial assets

At each reporting date, the Company’s non-financial assets, such as equipment and intangible assets, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and the impairment loss is recognized in General and administration expense in the Statements of Loss and Comprehensive Loss. Intangible assets not yet available for use are evaluated for impairment at least annually.

The recoverable amount is the higher of the fair value less the costs to sell, compared to its value in use.

Also at each reporting date, the Company assesses whether there is an indication that any previously recognized impairment loss may need to be considered for reversal. Impairment losses recognized to date by the Company have related to pending patents that have been abandoned and as such would have a limited period to be reinstated.

During the year, the Company recognized an impairment loss of $196,859 on granted and pending patents in connection with certain molecules and compounds that the Company abandoned and decided not to proceed in further clinical trials. The impairment loss is recognized included in general and administration expenses in the Statements of Loss and Comprehensive Loss.

Financial instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9, however, this guidance had no impact on the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

Classification	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Other receivables	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Warrant liability	Fair value through profit and loss	FVTPL

The original carrying value of the Company’s financial instruments under IAS 39 has not changed under IFRS 9.

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

5. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets recorded at FVTPL
Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

Amortized cost
Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's cash, amounts receivables are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities and demand loan do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified at amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

5. Significant accounting policies (continued)

Financial instruments (continued)

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Share capital

Common shares

Common shares are classified as equity.

Warrants

Warrants issued in the functional currency of the Company are classified as equity.

Warrants issued in a currency that is not the functional currency of the Company are classified as a warrant liability (notes 4 and 11).

Warrants classified as equity and issued in conjunction with common shares as part of a private placement unit offering are allocated a portion of the gross proceeds based on their relative fair value determined using a Black-Scholes valuation model.

Warrants issued as payment for services, where the fair value of such services is not readily determinable, are valued using a Black-Scholes valuation model as at the date the warrants are issued.

Issuance costs

Costs directly attributable to the issue of common shares and warrants are recognized on a pro-rata basis as a reduction of common shares and warrants as applicable, net of any tax effects, except for those costs attributable to warrants classified as a warrant liability where such costs are expensed in profit or loss.

5. Significant accounting policies (continued)

Investment tax credits

The Company applies for investment tax credits ("ITCs") for eligible scientific research and experimental development expenditures incurred. ITCs are recognized when qualifying expenditures are made, and when the Company believes there is reasonable assurance that the credits will be realized. ITCs related to research and development expenses are recorded as an investment tax credit in the Statements of Loss and Comprehensive Loss.

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss unless they relate to a business combination, or items recognized directly to equity or to other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, combined with any adjustments to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that in the Company's judgement it is no longer probable that the related tax benefit will be realized.

Share-based compensation

The granting of share options ("Options") to employees, officers, directors or consultants of the Company requires the recognition of share-based compensation expense with a corresponding increase in Contributed Surplus in Shareholders' equity. The fair value of Options that vest immediately are recorded as share-based compensation expense at the date of the grant. The expense for Options that vest over time is recorded over the vesting period using the graded method, which incorporates management's estimate of the Options that are not expected to vest. For Options where vesting is subject to the completion of performance milestones, the estimate for completion of the milestone is reviewed at each reporting date for any change in the estimated vesting date, and to the extent there is a material change in the vesting date estimate, the amortization to be recognized is recalculated for the new timeline estimate and adjusted on a prospective basis in the current period. The effect of a change in the number of Options expected to vest is a change in an estimate and the cumulative effect of the change is recognized in the period when the change occurs. On exercise of an Option, the consideration received and the estimated fair value previously recorded in Contributed Surplus is recorded as an increase in Common Shares.

Options awarded to consultants are measured based on the fair value of the goods and services received unless that fair value cannot be estimated reliably. If the fair value of the goods and services cannot be reliably measured, then the fair value of the equity instruments granted is used to recognize the expense.

5. Significant accounting policies (continued)

Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed in a manner consistent with basic loss per share, except that the weighted average number of shares outstanding is increased to include shares from the assumed exercise of options and warrants, if dilutive. When a net loss is incurred, basic and diluted loss per share is the same because the exercise of options and warrants are anti-dilutive.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Management has determined that the Company operates in one reportable segment, drug discovery and development, based on the economic characteristics of its research activities and services to date.

Adoption of new accounting pronouncements during the year

IFRS 9 - Financial Instruments

Effective May 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The new hedge accounting guidance had no impact on the Company's consolidated financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at May 1, 2018 as a result of adopting IFRS 9, along with comparison to IAS 39.

Recent accounting pronouncements not yet adopted

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 which supersedes existing standards and interpretations under IAS 17, Leases. IFRS 16 requires all leases, including financing and operating leases, to be reported on a company’s balance sheet. The new standard will provide greater transparency on a company’s lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 16 on the financial statements.

5. Significant accounting policies (continued)

Recent accounting pronouncements not yet adopted (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. We have yet to determine the impact this standard will have on our financial statements.

6. Capital risk management

The Company's capital is defined as common shares and warrants, contributed surplus, and deficit, which are presented in the Statements of Financial Position under the heading Shareholders' equity and further detailed in the Statements of Changes in Shareholders' Equity. The Company's objectives when managing capital are:

- To maintain liquidity to meet current obligations and continue as a going concern;
- To ensure financial capacity to execute strategic plans; and,
- To provide the Company's shareholders with a return on their investment.

The Company sets the amount of its capital targets in proportion to its spending plans and consequently its need for operating funds. The Company regularly monitors risks that could threaten its ability to meet its capital management objectives and seeks to make adjustments based on changes in economic conditions and its funding requirements to deal with such risks.

The Company is not subject to any externally imposed capital requirements that restricts the Company to the maintenance of liquidity levels or target ratios. The Company does not currently pay nor contemplate paying dividends.

7. Financial instruments

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.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for assisting in developing and monitoring the Company's risk management policies. The Audit Committee reports regularly to the Board.

7. Financial instruments (continued)

Financial assets and liabilities

Fair values

The Company has determined that the carrying values of its financial assets and liabilities, being cash and cash equivalents, investment tax credits and HST receivables, accounts payable and accrued liabilities, warrants liability and demand loans, approximate their fair values because of the relatively short periods to maturity of these instruments.

The warrant liability is recorded at fair value at each reporting period. Its fair value is estimated using a currency translated option valuation model incorporating estimated life, currency, and price volatility, and the risk free interest rate (note 11).

Credit risk

Credit risk is the risk of financial loss that may occur from the failure of another party to perform according to the terms of a contract. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood that these exposures will result in an actual loss. The Company has limited exposure to credit risk on its cash balances as all cash was maintained in liquid investments with major Canadian financial institutions or Canadian provincial government bonds as governed by the Company's investment policy. There has been no material change to the Company's credit risk exposure or processes related to the financial assets during the year.

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, with the exception of its long-term liability, on an undiscounted cash flow basis mature within one year. The Company has determined it has, or will have, sufficient working capital to manage its maturing financial liabilities as they come due based on its current cash, cash equivalents, investments, and subject to its ability to raise funds as demonstrated in prior years (note 3). The Company has excluded the warrant liability from the liquidity risk analysis as the obligation is non-cash and will be settled in shares.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return.

(i) 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 year, the Company's foreign exchange exposure was primarily related to the USD.

The Company's exposure to foreign currency risk expressed in CAD at the year-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 April 30, 2019 would have decreased the Company's loss by approximately $61,000 (2018 – increased the loss by $72,000). A 5% weakening of the CAD against the USD at those dates would have had the equal but opposite effect assuming all other variables remain constant.

(Expressed in Canadian Dollars)

7. Financial instruments (continued)

Financial assets and liabilities

Market risk (continued)

(i) Foreign currency risk (continued):

As at April 30, 2019	**CAD**	**USD**	**Other**	**Total**
Cash and cash equivalents	$ 206,658	$ 17,935	$ 19	$ 224,612
Other receivables	4,380	-	-	4,380
Accounts payable and accrued liabilities	(2,194,298)	(1,253,395)	-	(3,447,693)
Warranty liability	-	(37)	-	(37)
Demand loans	(199,970)	-	-	(199,970)
	$ (2,183,230)	$ (1,235,497)	$ 19	$ (3,418,708)

As at April 30, 2018	**CAD**	**USD**	**Other**	**Total**
Cash and cash equivalents	$ 34,540	$ 6,076	$ 115	$ 40,731
Other receivables	1,000	-	3,046	4,046
Accounts payable and accrued liabilities	(1,653,626)	(1,438,961)	-	(3,092,587)
Warranty liability	-	(20,628)	-	(20,628)
	$ (1,618,086)	$ (1,453,513)	$ 3,161	$ (3,068,438)

Interest rate risk

Interest rate risk arises from fluctuations in the interest rates applied to financial assets and liabilities. The financial asset exposure to interest rate risk is concentrated in the cash equivalents and investments as the interest rates obtained will fluctuate with market pricing. The Company regularly monitors the rates available with the selection of investments restricted to those with high credit ratings in accordance with the Company's investment policy.

The Company has limited financial liability exposure to interest rate risk. Its exposure is limited to changes in interest rates on overdue accounts payable and the impact that the interest rate assumption has on the revaluation of the warrant liability. There has been no change to the Company's interest rate risk exposure to this risk during the year. The amount of such exposure is not considered significant to the financial statements.

(Expressed in Canadian Dollars)

8. Equipment

Cost	Computer equipment	Furniture and fixtures	Total
Balance, April 30, 2017	**$ 83,610**	**$ 122,248**	**$ 205,858**
Additions	3,941	-	3,941
Disposals	(16,896)	(38,890)	(55,786)
Balance, April 30, 2018	70,655	83,358	154,013
Disposals	(1,602)	(27,220)	(28,822)
Balance, April 30, 2019	**$ 69,053**	**$ 56,138**	**$ 125,191**

Accumulated Depreciation	Computer equipment	Furniture and fixtures	Total
Balance, April 30, 2017	**$ 49,566**	**$ 113,793**	**$ 163,359**
Depreciation for the year	23,903	4,495	28,398
Disposals	(13,384)	(36,039)	(49,423)
Balance, April 30, 2018	$ 60,085	$ 82,249	$ 142,334
Depreciation for the year	9,243	1,110	10,353
Disposals	(1,267)	(27,221)	(28,488)
Balance, April 30, 2019	**$ 68,061**	**$ 56,138**	**$ 124,199**

Carrying Value	Computer equipment	Furniture and fixtures	Total
Balance, April 30, 2018	$ 10,570	$ 1,109	$ 11,679
Balance, April 30, 2019	**$ 992**	**$ -**	**$ 992**

(Expressed in Canadian Dollars)

9. Intangible assets

Cost	Molecules	Granted patents	Pending patents	Computer software	Total
Balance, April 30, 2017	**$ 3,526,287**	**$ 746,243**	**$ 180,612**	**$ 269,747**	**$ 4,722,889**
Additions	-	27,300	48,467	4,065	79,832
Transfers upon patent grant	-	19,398	(19,398)	-	-
Patent abandonment	-	-	(125,958)	-	(125,958)
Expired software licenses	-	-	-	(84,375)	(84,375)
Balance, April 30, 2018	3,526,287	792,941	83,723	189,437	4,592,388
Additions	-	-	12,851	-	12,851
Transfers upon patent grant	-	15,048	(15,048)	-	-
Patent abandonment	-	(308,267)	(27,543)	-	(335,810)
Balance, April 30, 2019	$ 3,526,287	$ 499,722	$ 53,983	$ 189,437	$ 4,269,429

Accumulated Amortization	Molecules	Granted patents	Pending patents	Computer software	Total
Balance, April 30, 2017	**$ 3,131,337**	**$ 191,247**	**$ -**	**$ 135,600**	**$ 3,458,184**
Amortization for the year	31,006	51,281	-	108,114	190,401
Expired software licenses	-	-	-	(84,375)	(84,375)
Balance, April 30, 2018	$ 3,162,343	$ 242,528	$ -	$ 159,339	$ 3,564,210
Amortization for the year	31,005	53,681	-	17,755	102,441
Impairment	-	(138,951)	-	-	(138,951)
Balance, April 30, 2019	**$ 3,193,348**	**$ 157,258**	**$ -**	**$ 177,094**	**$ 3,527,700**

Carrying Value	Molecules	Granted patents	Pending patents	Computer software	Total
Balance, April 30, 2018	$ 363,944	$ 550,413	$ 83,723	$ 30,098	$ 1,028,178
Balance, April 30, 2019	**$ 332,939**	**$ 342,464**	**$ 53,983**	**$ 12,343**	**$ 741,729**

A single Molecule, COTI-2, represents a significant portion of the carrying value of the molecules and patents as set out below as at:

Intangible asset class	**As at April 30, 2019**	As at April 30, 2018
Molecule	**$ 296,721**	$ 324,323
Patents granted and pending	**287,376**	308,403
	$ 584,097	$ 632,726
Percentage of net carrying value of molecules and patents	**78.7 %**	63.4 %

(Expressed in Canadian Dollars)

10. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are provisions for executive bonuses, and for legal matters, which represent an estimate of the most likely outcome of these matters. In the ordinary course of business, the Company may be subject to litigation and claims. In such cases, the Company accrues a loss for these matters when it is probable that a loss has been incurred and the amount can be reasonably estimated. At the end of each reporting period, the appropriateness of the provisions are evaluated, and adjustments may be made to reflect actual experience or changes in the estimates. Details related to these provisions are as follows:

	As at April 30, 2019	As at April 30, 2018
Provision for bonuses		
Opening balance	**$ 164,598**	$ 91,326
Additions	**108,000**	223,116
Payments	**(32,614)**	(149,844)
Closing balance	**$ 239,984**	$ 164,598
Provision for legal matters		
Opening balance	**$ 195,000**	$ -
Additions	**30,500**	195,000
	$ 225,500	$ 195,000

11. Warrant liability

In fiscal 2015, the Company completed a private placement financing consisting of one common share and one warrant to purchase a common share. The exercise price of the warrant is USD $3.40. These warrants include a forced exercise provision where the expiry date will be accelerated to a period of 21 days if, for any 10 consecutive trading days the closing price of the common shares on the TSXV equals or exceeds 1.3 times the exercise price. Any warrants not exercised during this reduced exercise period would expire. 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.

Details related to the warrant liability are summarized below.

	As at April 30, 2019	As at April 30, 2018
Opening balance, outstanding warrants	**1,011,706**	1,011,706
Closing balance, outstanding warrants	**1,011,706**	1,011,706
Expiry date	**Oct 16 - Nov 24/19**	Oct 16 - Nov 24/19
Weighted average exercised price in CAD	**$4.47**	$4.36
Opening balance	**$ 20,628**	$ 1,459,182
Fair value adjustment at the report date	**(20,591)**	(1,438,554)
Closing balance	**$ 37**	$ 20,628

(Expressed in Canadian Dollars)

11. Warrant liability (continued)

A summary of the assumptions used in the valuation model for re-measuring the warrants at end of the period is set out below.

	As at April 30, 2019	As at April 30, 2018
Common share market price	**$ 0.085**	$ 0.490
Weighted average risk free interest rate	**1.70** %	2.65 %
Estimated common share weighted average price volatility	**155.00** %	95.29 %
Expected dividend yield	**-** %	- %
Estimated weighted average life in years	**0.50**	1.52
Foreign exchange rate	**$ 1.342**	$ 1.288
Estimated weighted average fair value per warrant in CAD	**$ 0.001**	$ 0.021

12. Demand loan and debenture

On May 22, 2019 the Company closed a unit offering for gross proceeds of $199,970 comprising of $199,970 of senior secured debentures and 1,999,700 non-transferable common share purchase warrants exercisable at $0.10 per warrant. The debentures have a term of one year from closing date, bear interest at a rate of 10% per annum payable at the end of the term and are secured against all of the Company's assets. The proceeds from the debentures were received prior to year end giving rise to a short-term demand loan which was converted to the secured debentures on the May 22, 2019 closing date.

13. Share capital

a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares and preference shares. The common and preference shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares	**Amount**
Balance, April 30, 2017	14,915,844	$ 31,438,860
Private placement (i)	1,771,124	2,054,571
Fair value of warrants issued (i)	-	(505,812)
Share issuance cost (cash)	-	(117,190)
Warrants exercised	9,547	15,028
Balance, April 30, 2018	16,696,515	$ 32,885,457
Private placement (ii)	5,289,900	2,010,162
Fair value of warrants issued (ii)	-	(797,900)
Share issuance cost (net)	-	(208,923)
Balance, April 30, 2019	21,986,415	$ 33,888,796

13. Share capital (continued)

(i) 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. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $1.21 for a period of 1 year, expiring at the same date for each warrant type in the respective private placement tranche. In connection with the private placement, the Company paid $117,911 in commission and other related issuance costs, and issued 60,841 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at a price of $1.21 for a period of 1 year, expiring at the same date for each warrant type in the respective private placement tranche.

The net proceeds were allocated to the equity components on a relative fair value basis on date of issuance with $1,430,981 attributed to the shares and 506,612 attributed to the warrants. Included as a reduction to the net proceeds is $22,928 attributed to the broker warrants. The warrants and broker warrants were valued on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $1.11 - $1.13; expected volatility of 97.8% - 98.3% using the historical price history of the Company; risk-free interest rate of 1.67% - 1.71%; and an expected average life of 0.9 year.

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 will expire.

(ii) On May 3, 2018, the Company closed a private placement with proceeds of $2,010,162 comprised of 5,289,900 units. Each unit comprised of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.47 for a period of 5 year, expiring May 3, 2023. In connection with the private placement, the Company paid $321,613 in commission and other related issuance costs, and issued 185,687 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at a price of $0.47 for a period of 5 year, May 3, 2023.

The value allocated to warrants was $797,900 attributed and $26,400 to the broker warrants. The warrants and broker warrants were valued on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.229; expected volatility of 101% using the historical price history of the Company; risk-free interest rate of 2.17%; and an expected average life of 5 years.

(Expressed in Canadian Dollars)

13. Share capital (continued)

c) Warrants

The following table reflects the continuity of warrants for the year ended April 30, 2019 and April 30, 2018:

	Number of warrants	Amount
Balance, April 30, 2017	1,215,310	$ 1,164,145
Issued	1,831,965	505,811
Expired	(766,094)	(864,252)
Exercised	(9,547)	(3,610)
Balance, April 30, 2018	2,271,634	$ 802,094
Issued	5,475,587	824,300
Expired	(1,899,341)	(535,692)
Warrant issuance cost (net)	-	(139,091)
Balance, April 30, 2019	5,847,880	$ 951,612

The following table reflects the actual warrants issued as of April 30, 2019:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
8,759	11,911	2.60	October 16, 2019
29,007	41,582	2.60	November 5, 2019
8,309	12,556	2.60	November 24, 2019
97,000	66,513	3.80	December 18, 2019
2,000	1,663	2.90	December 18, 2019
212,937	146,011	3.80	February 16, 2020
14,281	11,873	2.90	February 16, 2020
5,475,587	769,609	0.47	May 3, 2023
5,847,880	1,061,718	0.67	

14. Stock options

The Company maintains only one share option plan ("SOP") that is used for its directors, employees, and consultants who contribute to the long-term goals of the Company. Under the SOP, options can be awarded at any time; however, the maximum number of common shares available for purchase through option grants cannot exceed 10% of the outstanding common shares issued. The awarding of options, the exercise price, the expiry date, and the vesting period are approved by the Board of Directors. Prior to fiscal 2017, the vesting of options generally only required the passage of time, however, during the year ended April 30, 2017, there were option awards where the vesting was based upon the achievement of operational non-market based milestones. The SOP sets out a maximum option life of five years for granted options. Settlement of share-based compensation is done solely through equity issuances.

(Expressed in Canadian Dollars)

14. Stock options (continued)

	Number of stock options		Weighted average exercise price
Balance, April 30, 2017	1,170,947	$	3.93
Issued (i)(ii)	386,428		1.41
Expired	(208,829)		2.20
Forfeited	(9,711)		(5.05)
Balance, April 30, 2018	1,338,835	$	3.45
Issued (iii)	119,100		0.50
Expired	(234,709)		3.04
Balance, April 30, 2019	1,223,226	$	3.24

i) On June 12, 2017, the Company granted 40,000 options of the Company at a price of $3.20 per share, expiring June 12, 2022. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a 5 year expected average life; share price of $3.20; 76% volatility; risk-free interest rate of 1.76%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $47,552 which was expensed in the statement of loss and comprehensive loss with a corresponding amount allocated to contributed surplus. These options vest as follows 4,000 on grant, 16,000 equally on a quarterly basis over 2 years; 20,000 equally on the completion of 4 milestones.

ii) In December 2017, the Company granted 346,428 options of the Company at a price of $1.20 per share, expiring December 19, 2022. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a 4.04 year expected average life; share price of $1.20; 75.69% volatility; risk-free interest rate of 2.05%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $243,192 which was expensed in the statement of loss and comprehensive loss with a corresponding amount allocated to contributed surplus. These options vest equally on a quarterly basis over 12 months.

iii) On July 3, 2018, the Company granted 119,100 options of the Company at a price of $0.50 per share, expiring July 3, 2023. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a 5 year expected average life; share price of $0.44; 101% volatility; risk-free interest rate of 2.04%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $38,315 which will be expensed in the statement of loss and comprehensive loss with a corresponding amount allocated to contributed surplus in accordance with vesting provisions. These options vest equally on a quarterly basis over 12 months.

For the year ended April 30, 2019, the Company recorded share-based compensation expense of $190,341 (year ended April 30, 2018 - $758,876) consisting of share options granted to employees, directors, and consultants.

(Expressed in Canadian Dollars)

14. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of April 30, 2019:

Expiry date	Range of exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
July 20, 2019	2.90 - 5.20	0.22	50,017	50,017
October 21, 2019	2.90	0.48	77,225	77,225
March 19, 2020	2.45	0.89	15,000	15,000
May 12, 2020	2.90	1.04	10,435	10,435
June 4, 2020	3.40	1.10	8,500	8,500
October 14, 2020	3.05	1.46	115,590	115,590
November 18, 2020	2.80	1.56	2,500	2,500
January 14, 2021	3.05	1.71	14,785	14,785
April 25, 2021	4.40	1.99	5,000	5,000
July 4, 2021	7.00	2.18	150,000	150,000
December 19, 2022	1.20	3.64	346,428	346,428
October 12, 2021	5.20	2.45	93,646	93,646
December 31, 2021	4.75	2.67	150,000	150,000
February 13, 2022	5.90	2.79	25,000	15,000
June 11, 2022	3.20	3.12	40,000	36,000
June 29, 2023	0.50	4.17	119,100	100,650
	3.24	2.62	1,223,226	1,190,776

15. Loss per share

The calculation of basic and diluted loss per share for the year ended April 30, 2019 was based on the loss attributable to common shareholders of $2,697,281 (year ended April 30, 2018 - $4,880,393) and the weighted average number of common shares outstanding of 21,957,429 (year ended April 30, 2018 - 15,967,860). Diluted loss per share did not include the effect of 1,223,226 options outstanding (April 30, 2018 - 1,338,835 options outstanding) as they are anti-dilutive. Diluted loss per share did not include the effect of 5,847,880 warrants outstanding (April 30, 2018 - 2,271,634 warrants outstanding) as they are anti-dilutive.

(Expressed in Canadian Dollars)

16. Income taxes

a) Current income tax expense

The following table reconciles the tax expense (recovery) on the accounting loss, calculated using combined Canadian federal and provincial (Ontario) tax rates.

	Year Ended April 30, 2019	Year Ended April 30, 2018
Net loss for the year	**$ (2,697,281)**	$ (4,880,393)
Statutory rate	**26.50 %**	26.50 %
Income tax using the Company's tax rates	**(715,000)**	(1,293,000)
Non-deductible expenses	**(89,000)**	(170,000)
Change in unrecognized temporary differences	**805,000**	1,488,000
Other	**(1,000)**	(25,000)

There was no change in the Canadian statutory income tax rate applicable to the Company during the year.

b) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	Year Ended April 30, 2019	Year Ended April 30, 2018
Deductible temporary differences	**$ 2,603,000**	$ 2,473,000
Tax losses	**7,648,000**	6,973,000
	$ 10,251,000	$ 9,446,000

The Company has non-capital losses that expire, and research and development expenditures, and nonrefundable federal and provincial investment tax credits that do not expire, which may be applied to reduce taxable income of future years as follows:

(Expressed in Canadian Dollars)

16. Income taxes (continued)

b) Unrecognized deferred tax assets (continued)

Non-capital loss carryforward balances & R&D expenditures

Year	Amount
2025	$ 178,000
2026	463,000
2027	580,000
2028	1,297,000
2029	2,037,000
2030	2,075,000
2031	1,508,000
2032	1,588,000
2033	1,441,000
2034	1,542,000
2035	1,919,000
2036	2,389,000
2037	4,347,000
2038	4,947,000
2039	2,548,000
Total non-capital losses	**$ 28,859,000**
Total research and development expenditures	8,287,000
Total federal investment tax credits	1,648,000
Total provincial tax credits	279,000

In measuring the deferred tax assets, management considers whether it is probable that the Company will generate sufficient taxable profit to utilize some portion or all of the benefits assigned to the deferred tax assets. Management considers the likelihood of future profitability, the existence of taxable temporary differences, which are expected to reverse, and any available tax planning opportunities to make this assessment. To the extent that management believes it is not probable that the deferred tax assets will be realized, the deferred tax assets are not recognized. Management currently believes that the Company does not meet the probability criterion and, therefore, deferred tax assets have not been recognized in the Statements of Financial Position.

(Expressed in Canadian Dollars)

17. Functional expense breakdown

For the year ended April 30, 2019	Research and Development	Sales and Marketing	General and administration	Total
Amortisation and depreciation	$ -	$ -	$ 309,655	$ 309,655
Clinical trial expenses	185,199	-	-	185,199
Corporate governance	-	-	49,144	49,144
Drug development consulting	5,952	-	-	5,952
In vitro / in vivo testing	19,014	-	-	19,014
Marketing and travelling	-	43,250	14,483	57,733
Office and other	10,373	-	132,137	142,510
Professional fees	(100)	58,341	249,910	308,151
Salaries and benefits	398,372	-	980,283	1,378,655
Share-based compensation	6,726	-	183,615	190,341
Synthesis and misc. R&D expenses	154,973	-	-	154,973
Total	**$ 780,509**	**$ 101,591**	**$ 1,919,227**	**$ 2,801,327**

For the year ended April 30, 2018	Research and Development	Sales and Marketing	General and administration	Total
Amortisation and depreciation	$ -	$ -	$ 218,799	$ 218,799
Clinical trial expenses	583,854	-	-	583,854
Corporate governance	-	822	102,959	103,781
Drug development consulting	38,347	-	-	38,347
In vitro / in vivo testing	398,520	-	-	398,520
Marketing and travelling	47,521	11,151	115,467	174,139
Office and other	175,627	42,354	257,560	475,541
Professional fees	7,347	250,175	479,147	736,669
Salaries and benefits	892,573	8,364	1,355,803	2,256,740
Share-based compensation	48,625	-	710,251	758,876
Synthesis and misc. R&D expenses	574,865	-	-	574,865
Total	**$ 2,767,279**	**$ 312,866**	**$ 3,239,986**	**$ 6,320,131**

18. Supplementary cash flow information

	Year Ended April 30, 2019	Year Ended April 30, 2018
Change in non-cash working capital:		
Investment tax credits and HST receivable	**$ 61,009**	$ 17,835
Prepaid	**109,844**	138,459
Accounts payable and accrued liabilities	**354,905**	1,120,727
	$ 525,758	$ 1,277,021

(Expressed in Canadian Dollars)

19. Related party transactions

The company defines key management personnel as Board of Directors, Chief Executive Officer, Chief Financial Officer and Chief Science Officer.

(a) The Company entered into the following transactions with related parties

For the year ended April 30, 2019, the Company expensed $47,932 (year ended April 30, 2018 - $nil) to Marrelli Support Services Inc ("Marrelli Support") for: the services of Victor Hugo to act as Chief Financial Officer of the Company and Marrelli Support also provides bookkeeping services to the Company. Victor Hugo is an employee of Marrelli Support. As at April 30, 2019, Marrelli Support was owed $22,041 (April 30, 2018 - $nil) and this amount was included in accounts payable and accrued liabilities.

(b) Remuneration of directors and key management personnel of the Company was as follows:

	Year Ended April 30, 2019	Year Ended April 30, 2018
Salaries and benefits	**$ 1,202,932**	$ 1,169,835
Share-based payments	**171,683**	702,346
Total remuneration	**$ 1,374,615**	$ 1,872,181

As at April 30, 2019, directors and key management personnel of the Company were owed $1,011,291 (April 30, 2018 - $290,676) and this amount was included in accounts payable and accrued liabilities.

20. Subsequent event

i) On May, 22 2019, the Company completed, for gross proceeds of $199,970, an offering (the “Offering”) of units (“Units”) comprised of $199,970 of senior secured debentures (the “Debentures”) and 1,999,700 non-transferable common share purchase warrants exercisable at $0.10 per Warrant to arm’s length lenders and a lender who is a director of the Company (the “Subscribers”). The Debentures have a term of one year from the Closing Date (the “Term”), bear interest at a rate of 10% per annum payable at the end of Term, and are secured against all of the assets of the Company pursuant to a general security agreement effective as of the Closing Date in favour of the Subscribers. Each Warrant is exercisable during the Term, and thereafter expires, and is subject to a hold period of four months and a day from the Closing Date.

ii) On June 4, 2019, the Company completed for gross proceeds of $100,000, a second tranche offering of units comprised of $100,000 Debentures and 1,000,000 non-transferable common share purchase warrants exercisable at $0.10 per Warrant to arm’s length lenders and a lender who is a director and officer of the Company (the “Subscribers”). The Debentures have a term of one year from the Closing Date (the “Term”), bear interest at a rate of 10% per annum payable at the end of Term, and are secured against all of the assets of the Company pursuant to a general security agreement effective as of the Closing Date in favour of the Subscribers. Each Warrant is exercisable during the Term, and thereafter expires, and is subject to a hold period of four months and a day from the Closing Date.

iii) On July 15, 2019, 50,217 options expired unexercised.