FORM 5

QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: Pivotal Therapeutics Inc. (the "Issuer").

Trading Symbol: PVO

Period: Q1 (January – March 31, 2014)

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNSX.ca website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the CNSX Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Please find the Financial Statements attached.

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

Please refer to Schedule A: Financial Statements – Note 8.

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) Summary of securities issued during the period (January – March 31, 2014):

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
March 4, 2014	Convertible Note	Private Placement	1,649.28	$0.20	$1,649,280	Cash	Related Person	None
March 4, 2014	Warrant	Private Placement	1,979,136	$0.30	$593,741*	Cash	Related Person	None
March 4, 2014	Convertible Note	Private Placement	266.7	$0.20	$266,700	Cash	Not Related	Yes
March 4, 2014	Warrant	Private Placement	320,040	$0.30	$96,012*	Cash	Not Related	Yes
March 4, 2014	Convertible Note	Private Placement	150	$0.20	$150,000	Cash	Not Related	Yes
March 4, 2014	Warrant	Private Placement	180,000	$0.30	$54,000*	Cash	Not Related	Yes
March 4, 2014	Convertible Note	Private Placement	100	$0.20	$100,000	Cash	Not Related	Yes
March 4, 2014	Warrant	Private Placement	120,000	$0.30	$36,000*	Cash	Not Related	Yes
March 4, 2014	Convertible Note	Private Placement	600	$0.20	$600,000	Cash	Not Related	Yes
March 4, 2014	Warrant	Private Placement	720,000	$0.30	$216,000*	Cash	Not Related	Yes
March 4, 2014	Convertible Note	Private Placement	3,318	$0.20	$3,318,000	Cash	Not Related	Yes

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
March 4, 2014	Warrant	Private Placement	3,981,600	$0.30	$1,194,480*	Cash	Not Related	Yes
March 4, 2014	Convertible Note	Private Placement	1,659.6	$0.20	$1,659,600	Cash	Not Related	Yes
March 4, 2014	Warrant	Private Placement	1,991,520	$0.30	$597,456*	Cash	Not Related	Yes
March 4, 2014	Warrant	Broker/Agent Warrants	1,337,786	$0.30	$401,336*	Cash	Not Related	No – this is commission
March 4, 2014	Warrant	Broker/Agent Warrants	303,800	$0.30	$91,140*	Cash	Not Related	No – this is commission

* Total Proceeds if exercised in full.

(b) Summary of options granted during the period (January – March 31, 2014):

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
March 14, 2014	500,000	George Jackowski – CSO & Director		$0.20	March 14, 2019	$0.18
March 14, 2014	500,000	Eugene Bortoluzzi – CEO, CFO & Director		$0.20	March 14, 2019	$0.18
March 14, 2014	500,000	Rachelle MacSweeney – COO, President & Director		$0.20	March 14, 2019	$0.18
March 14, 2014	250,000	James Carey – Director		$0.20	March 14, 2019	$0.18

March 14, 2014	250,000		Consultant	$0.20	March 14, 2019	$0.18
March 14, 2014	250,000	John Gebhardt – Director		$0.20	March 14, 2019	$0.18
March 14, 2014	250,000	Dr. John Nicholson – Former Director (Nominee of Crossover Healthcare Fund, LLC)		$0.20	March 14, 2019	$0.18
March 14, 2014	200,000	Adraak Consulting Services Inc. – Consultant		$0.20	March 14, 2019	$0.18
March 14, 2014	25,000	Jason Yantha – Employee		$0.20	March 14, 2019	$0.18
March 14, 2014	25,000	Angela Bortoluzzi – Employee		$0.20	March 14, 2019	$0.18
March 14, 2014	125,000	Paul Kerth – Consultant		$0.20	March 14, 2019	$0.18
March 14, 2014	100,000	Gord Peterson – Advisor		$0.20	March 14, 2019	$0.18
March 14, 2014	200,000		Consultant	$0.20	March 14, 2019	$0.18
March 14, 2014	100,000	Kristine DiMatteo – Consultant		$0.20	March 14, 2019	$0.18
March 14, 2014	100,000	Shaker Srouji – Consultant		$0.20	March 14, 2019	$0.18
March 14, 2014	100,000	Neven Bozvoic – Consultant		$0.20	March 14, 2019	$0.18
March 14, 2014	100,000	Dr. Sigmund Kulessa – Consultant		$0.20	March 14, 2019	$0.18
March 14, 2014	500,000		Consultant	$0.20	March 14, 2019	$0.18

Note: On March 14, 2014, the Company granted previously reserved stock options to certain of its directors, officers, employees and consultants in recognition of their contribution made in 2012. Options to acquire a total of 4,075,000 common shares of the Company were granted in accordance with the provisions of the Company's 2011 stock option plan approved by shareholders on March 10, 2011. The options are exercisable at an exercise price of $0.20,

vest immediately and will expire five years following the date of the grant.

Note: On February 1, 2014, 100,000 stock options granted August 26, 2011 to a past employee were not exercised within the required option period following the employee departure and were forfeited.

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) Description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) Number and recorded value for shares issued and outstanding,

(c) Description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) Number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Shares Authorized	Issued & Outstanding *	Options	Warrants/Convertible Securities *	Escrow Securities
Common Shares, unlimited number of shares	91,916,277 common shares; the recorded value for shares issued and outstanding is $7,962,346	8,424,000 - See Note 7(c) of the Financial Statements (Schedule A); the recorded value for options outstanding is $2,007,900	Warrants: 17,165,266 - See Note 7(d) of the Financial Statements (Schedule A); the recoded value for the warrants outstanding is $5,149,579.80 Convertible Notes: 7,744 - See Note 6 of the Financial Statements (Schedule A); the recoded face value for the Notes outstanding is $7,743,580	2,797,500 common shares

* See Note 7 of the Financial Statements (Schedule A).

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position
John Gebhardt	Chairman, Director
James Carey	Vice-Chairman, Director
Eugene Bortoluzzi	Chief Executive Officer, Chief Financial Officer, Director
Rachelle MacSweeney	President, Chief Operating Officer, Director
Dr. George Jackowski	Chief Scientific Officer, Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Please find the Management Discussion and Analysis attached.

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated June 2nd, 2014

Rachelle MacSweeney
Name of Director or Senior Officer
"*Rachelle MacSweeney*"
Signature
President, Chief Operating Officer & Director
Official Capacity

Issuer Details Name of Issuer	For Quarter Ended	Date of Report (YY/MM/D)
Pivotal Therapeutics Inc.	March 31, 2013	14/06/02
Issuer Address 81 Zenway Blvd., Unit 10		
City/Province/Postal Code Woodbridge, Ontario L4H 0S5	Issuer Fax No. (905) 856-2177	Issuer Telephone No. (905) 856-9797
Contact Name Rachelle MacSweeney	Contact Position President, COO & Director	Contact Telephone No. (905) 856-9797
Contact Email Address rmacsweeney@pivotaltherapeutics.us	Web Site Address www.pivotaltherapeutics.us	

SCHEDULE A: FINANCIAL STATEMENTS

PIVOTAL THERAPEUTICS INC.

(A Development Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2014

NOTICE TO READER

The management of Pivotal Therapeutics Inc. ("the Company") is responsible for the preparation of the accompanying condensed interim consolidated financial statements. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the financial position, financial performance and cash flows of the Company.

These condensed interim consolidated financial statements have not been reviewed by the Company's auditor. These condensed interim consolidated financial statements are unaudited and include all adjustments consisting of normal and recurring items that management considers necessary for a fair presentation of the financial position, financial performance and cash flows.

PIVOTAL THERAPEUTICS INC.

(A Development Stage Company)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

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PIVOTAL THERAPEUTICS INC.

(A Development Stage Company)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2014
(with comparative amounts as at December 31, 2013)

	March 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash	$ 4,617,305	$ 487,199
Accounts receivable	48,477	20,107
Government remittances receivable	78,022	130,069
Inventory (Note 3)	468,878	452,294
Production advance (Note 4)	175,013	165,348
Prepaid expenses	61,567	101,429
	5,449,262	1,356,446
Non-current assets		
Equipment (Note 5a)	379,945	74,368
Intangible asset - Intellectual property (Note 5b)	586,357	580,709
	$ 6,415,564	$ 2,011,523
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 734,898	$ 631,283
Government remittances payable	62,762	22,636
Current portion of loan payable (Note 6a)	-	1,763
	797,660	655,682
Loan payable (Note 6a)	-	107,526
Convertible promissory notes (Note 6b)	5,917,009	1,859,767
	6,714,669	2,622,975
COMMITMENTS (Note 10)		
DEFICIENCY		
Share capital (Note 7a)	7,962,346	7,962,346
Other paid-in capital (Note 7c)	3,052,892	1,458,518
Warrants (Note 7d)	869,583	537,943
Deficit	(12,183,926)	(10,570,259)
	(299,105)	(611,452)
	$ 6,415,564	$ 2,011,523

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

The accompanying notes form an integral part of these Condensed Interim Consolidated Financial Statements.

Approved by the Board of Directors

Signed: *"John Gebhardt"*

John Gebhardt, Director and
Chairman of the audit committee

Signed: *"Eugenio Bortoluzzi"*

Eugenio Bortoluzzi, CEO and CFO, and
Director

PIVOTAL THERAPEUTICS INC.

(A Development Stage Company)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three month periods ended March 31, 2014 and 2013

	March 31, 2014	March 31, 2013
SALES	$ 52,532	$ 73,642
COST OF SALES	30,672	28,379
GROSS MARGIN	21,860	45,263
EXPENSES		
Research and development	165,773	80,856
Stock-based compensation (Note 7c)	508,952	-
Selling fees and marketing	256,448	359,783
Salaries and benefits	223,675	91,786
Consulting	171,375	129,691
Office and general	77,559	65,417
Interest on long term debt	47,522	-
Professional fees	25,065	57,888
Rent and utilities	17,954	13,202
Registration fees	7,046	18,014
Depreciation of equipment	14,400	5,562
Amortization of intangible assets	8,415	6,500
	1,524,184	828,699
LOSS BEFORE ACCRETION EXPENSE	1,502,324	783,436
Accretion expense	111,343	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIODS	$ 1,613,667	$ 783,436
LOSS PER SHARE - BASIC AND FULLY DILUTED	$ 0.02	$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES - BASIC AND FULLY DILUTED	91,916,277	79,453,509

The accompanying notes form an integral part of these Condensed Interim Consolidated Financial Statements.

PIVOTAL THERAPEUTICS INC.

(A Development Stage Company)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Shares to be issued	Warrants	Other Paid in Capital	Deficit	Total
Balance, December 31, 2013	$ 7,962,346	$ -	$ 537,943	$ 1,458,518	$(10,570,259)	$ (611,452)
Stock-based compensation (Note 7c)	-	-	-	508,952	-	508,952
Value attributed to equity component of convertible promissory note	-	-	331,640	1,085,422	-	1,417,062
Net loss for the period	-	-	-	-	(1,613,667)	(1,613,667)
Balance, March 31, 2014	$ 7,962,346	$ -	$ 869,583	$ 3,052,892	$(12,183,926)	$ (299,105)
Balance, December 31, 2012	$ 5,758,480	$ 1,495,250	$ -	$ 1,366,998	$ (7,608,499)	$ 1,012,229
Shares to be issued	-	812,355	-	-	-	812,355
Net loss for the period	-	-	-	-	(783,436)	(783,436)
Balance, March 31, 2013	$ 5,758,480	$ 2,307,605	$ -	$ 1,366,998	$ (8,391,935)	$ 1,041,148

The accompanying notes form an integral part of these Condensed Interim Consolidated Financial Statements.

PIVOTAL THERAPEUTICS INC.

(A Development Stage Company)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three month periods ended March 31, 2014 and 2013

	March 31, 2014	March 31, 2013
Cash flows from operating activities		
Net loss for the periods	$ (1,613,667)	$ (783,436)
Items not affecting cash		
Stock-based compensation	508,952	-
Depreciation of equipment	14,400	5,562
Amortization of intangible assets	8,415	6,500
Accretion expense	111,343	-
Net change in non-cash working capital items relating to operating activities		
Accounts receivable	(28,370)	(24,366)
Government remittances receivable	52,047	102,098
Inventory	(16,584)	42,179
Prepaid expenses	39,862	14,405
Production advance	(9,665)	-
Accounts payable and accrued liabilities	103,615	25,880
Government remittances payable	40,126	-
Cash used in operating activities	(789,526)	(611,178)
Cash flows from investing activities		
Acquisition of equipment	(319,977)	-
Additions to intangible assets	(14,063)	-
Cash used in investing activities	(334,040)	-
Cash flows from financing activities		
Proceeds from shares to be issued	-	812,355
Repayment of loan payable	(109,289)	-
Proceeds from note payable, net	5,362,961	-
Cash provided by financing activities	5,253,672	812,355
Increase in cash during the periods	4,130,106	201,177
Cash, beginning of periods	487,199	20,694
Cash, end of periods	$ 4,617,305	$ 221,871

The accompanying notes form an integral part of these Condensed Interim Consolidated Financial Statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014 and 2013

NOTE 1 NATURE OF OPERATIONS AND GOING CONCERN

Pivotal Therapeutics Inc. (the "Company") or ("New Pivotal") was formed on April 7, 2011, as a result of an amalgamation between Media Script Marketing Inc. and Pivotal Therapeutics Inc. ("Old Pivotal"). The Company is a specialty pharmaceutical company dedicated to the rapid discovery, development and marketing of prescription grade pharmaceuticals with proven efficacy and safety. The Company has funded its activities through the issuance of common shares and warrants, and notes and loans payable. Its head office is located at 81 Zenway Blvd., Unit 10, Woodbridge, Ontario, Canada L4H 0S5.

The condensed interim consolidated financial statements were approved by the Board of Directors on May 29, 2014.

These condensed interim consolidated financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. The Company has yet to generate substantial revenue and has relied upon the issuance of debt and equity instruments to fund operations. There is no assurance that the Company will be able to continue to raise funds in this manner on acceptable terms, if at all, leading to substantial doubt surrounding the Company's ability to continue as a going concern. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's strategic goals. These condensed interim consolidated financial statements do not include any adjustments relative to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

NOTE 2 BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

(a) Statement of compliance

The Company has prepared these unaudited condensed interim consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting,* employing all of the same accounting policies and methods of computation as disclosed in the annual audited consolidated financial statements as at December 31, 2013. The notes to these unaudited condensed interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding to the changes in the Company's financial position and performance since December 31, 2013. Certain disclosures that appear in the annual consolidated financial statements have not been reproduced in these unaudited condensed interim consolidated financial statements and, in this regard only, these unaudited condensed interim consolidated financial statements do not conform in all respects to the requirements of IFRS for the annual audited consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should only be read in conjunction with the annual audited consolidated financial statements as at December 31, 2013.

NOTE 2 BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

(b) Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on an historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Significant accounting estimates and judgements

The preparation of these unaudited condensed interim consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the financial reporting date and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. These unaudited condensed interim consolidated financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the unaudited condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and also in future period when the revision affects both current and future periods.

(d) Functional currency

The presentation and functional currency of the Company is the Canadian dollar.

NOTE 3 INVENTORY

Inventory consists of finished goods amounting to $468,878 as at March 31, 2014 (December 31, 2013 work in progress - $371,268, finished goods - $81,026). During the year ended December 31, 2013 the Company recognized an inventory impairment totalling $271,068 related to slow moving inventory.

NOTE 4 PRODUCTION ADVANCE

During the year ended December 31, 2011, $709,326 (500,000 Euro) was provided as a production advance to a supplier under an Exclusive Supply Agreement. The Company committed under the supply agreement to purchase minimum quantities of raw material each year. The price of the raw material is fixed for the first two years of the contract and is subject to negotiation thereafter. The advance bears interest at a rate of 4% per annum. The remaining balance outstanding as of March 31, 2014 was $175,013 or 113,956 Euro (December 31, 2013 - $165,348 or 112,827 Euro).

(Expressed in Canadian Dollars)

NOTE 5 EQUIPMENT AND INTANGIBLE ASSET – INTELLECTUAL PROPERTY

(a) Equipment

	March 31, 2014	December 31, 2013
Cost		
Opening balance	$ 131,271	$ 118,168
Additions	319,977	13,103
Ending balance	451,248	131,271
Accumulated depreciation		
Opening balance	56,903	33,353
Depreciation for the period	14,400	23,550
Ending balance	71,303	56,903
Net carrying value	$ 379,945	$ 74,368

(b) Intangible Assets – Intellectual Property

	March 31, 2014	December 31, 2013
Cost		
Opening balance	$ 659,167	$ 520,000
Additions	14,063	139,167
Ending balance	673,230	659,167
Accumulated amortization		
Opening balance	78,458	45,500
Amortization for the period	8,415	32,958
Ending balance	86,873	78,458
Net carrying value	$ 586,357	$ 580,709

(Expressed in Canadian Dollars)

NOTE 6 LOAN PAYABLE AND CONVERTIBLE PROMISSORY NOTES

(a) Loan Payable

	March 31, 2014	December 31, 2013
Non-secured note payable advanced from a minority shareholder bearing interest at 4.69% per annum repayable in equal monthly instalments of principal and interest in the amount of approximately $570, due July 1, 2016	$ -	$ 109,289
Current portion	-	1,763
	$ -	$ 107,526

During the period, the note was fully repaid.

(b) Convertible Promissory Notes

	March 31, 2014	December 31, 2013
Advances on convertible promissory notes	$ 1,915,425	$ 1,915,425
Discount on face value	(124,520)	(124,520)
Accumulated accretion	124,520	68,862
Transfer of principal on issuance of promissory notes	(1,915,425)	-
	$ -	$ 1,859,767

Face value of convertible promissory notes	$ 7,743,580	$ -
Discount on face value	(1,507,633)	-
Transaction costs allocated	(374,623)	-
Accumulated accretion	55,685	-
	$ 5,917,009	$ -

The Company entered into an agreement whereby it offered units (“Units”) consisting of $1,000 of Convertible Promissory Notes (“Notes”) and warrants to purchase 1,200 shares of the common stock of the Company up to 5,000 Convertible Promissory Notes of $5,000,000.

As of December 31, 2013, the Company had received advances of $1,915,425 for Units to be issued upon closing of the financing. The carrying value of the advances at December 31, 2013 is $1,859,767. The Company treated the advances as interest

NOTE 6 LOAN PAYABLE AND CONVERTIBLE PROMISSORY NOTES (continued)

(b) Convertible Promissory Notes (continued)

free loans. The market interest rate was estimated to be 18% and resulted in an initial fair value of the liability of $1,790,905 and a corresponding gain in other paid in capital of $124,520.

After initial recognition, the advances were carried at amortized cost and were accreted to their face amount upon closing of the transaction using the effective interest rate. For the three months ended March 31, 2014, $55,658 has been recognized as additional accretion expense on the advances.

On March 4, 2014, the Company completed its debt financing issuing a total of 7,744 units for gross proceeds of $7,743,580. Each unit consists of $1,000 Convertible Promissory Notes ("Notes") and 1,200 common share purchase warrants for a total issuance of 9,292,296 warrants. The maturity of the Note is two years from the date of issuance. The conversion price of the Notes has been amended from $0.25 to $0.20 for each common share of the Company. The Notes will accrue interest at a rate of 8% per annum and the warrants may be exercised for a period of 60 months following the date of issuance at an exercise price of $0.30 per common share.

The Company also incurred financing costs associated with the transaction of $480,544 and issued 1,641,586 agent warrants. The agent warrants carry an exercise price of $0.30 and carry a term of five years.

The Company used the residual value method to allocate the proceeds between the liability and equity components. Under this method, the fair value of the liability component of $6,235,947 was computed as the present value of the future principal and interest payments discounted at a rate of 20% per annum. The residual value of $1,507,633 was attributed to the equity components and allocated equally between the 10,933,882 warrants issued and the option to convert the Notes into 38,717,900 common shares. The transaction costs totalling $480,544 were then allocated proportionally to each component.

(Expressed in Canadian Dollars)

NOTE 7 SHARE CAPITAL

(a) Shares

Authorized
Unlimited number of common shares without par value
Issued and outstanding
91,916,277 common shares

The common share transactions over the year are as follows:

	Number of Shares	Amount
Closing balance December 31, 2012 and 2011	**79,453,509**	**$ 5,758,480**
Issuance of common shares on October 2, 2013	12,462,768	2,203,866
Closing balance December 31, 2013 and March 31, 2014	**91,916,277**	**$ 7,962,346**

On October 2, 2013 the Company closed a non-brokered private placement consisting of 12,462,768 units for gross proceeds of $2,741,809. Each unit consisted of one common share and one-half common share purchase warrant for a total issuance of 12,462,768 common shares and 6,231,384 warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per common share expiring after 60 months. The purchase warrants may be called by the Company at any time after six months following the closing, provided the common shares of the Company have traded at a price of at least CDN $0.45 for 20 trading days within a 30 consecutive day trading period.

Using the Black-Scholes model to value the warrants, $537,943 was allocated to warrants and the remaining amount of $2,203,866 was allocated to share capital.

(b) Shares to be issued

Pursuant to a subscription agreement dated June 24, 2012 the Company signed a non-brokered private placement to issue 22,727,273 common shares for $5,000,000 or $0.22 per unit. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each full purchase warrant entitles the holder thereof to subscribe for one common share. The terms of the purchase warrants were revised from an expiry of 24 months to 60 months. The warrants' exercise price was reduced from $0.50 per common share to $0.30 per common share. The purchase warrants may be called by the Company at any time after six months following the closing, provided the common

(Expressed in Canadian Dollars)

NOTE 7 SHARE CAPITAL (continued)

(b) Shares to be issued (continued)

shares of the Company have traded at a price of at least $0.45 for 20 trading days within a 30 day consecutive trading period. at an exercise price of $0.50 per common share expiring 24 months following the issuance of the units. As of December 31, 2012, The Company had received $1,495,250 representing 6,796,591 common shares in the Company. The shares were issued during the year ended December 31, 2013 upon closing the private placement.

(c) Stock Options

The Company has a rolling stock option plan for its directors, officers, employees and consultants retained by the Company or any of its subsidiaries or affiliates to provide common shares of the Company at a price as determined by the Board of Directors. The maximum aggregate number of common shares reserved for issuance pursuant to the plan is 15% of the issued and outstanding common shares.

No stock options were granted during the year ended December 31, 2013.

On February 1, 2014, 100,000 stock options granted August 26, 2011 to a past employee were not exercised within the required option period following the employee departure and were forfeited.

On March 14, 2014, the Company granted previously reserved stock options to certain of its directors, officers, employees and consultants in recognition of their contribution made in 2012. Options to acquire a total of 4,075,000 common shares of the Company were granted in accordance with the provisions of the Company's 2011 stock option plan approved by shareholders on March 10, 2011. The options are exercisable at an exercise price of $0.20, vest immediately and will expire five years following the date of the grant.

The fair value of the options granted during the three months ended March 31, 2014 of $508,952 was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

Risk free interest rate	1.63%
Expected life in years	5 years
Expected volatility	84%
Expected dividend yield	0%
Weighted average fair value per option granted	$0.125

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded, thus the Black-Scholes model may over-estimate the actual value of the

(Expressed in Canadian Dollars)

NOTE 7 SHARE CAPITAL – continued

(c) Stock Options - continued

options that the Company has granted. The Black-Scholes model also requires an estimate of expected volatility.

Following is a summary of options outstanding at March 31, 2014, exercise price and expiry date:

Dates Options Granted	Number of Options	Exercise Price ($)	Expiry Date
January 11, 2011	600,000	0.10	January 11, 2016
February 7, 2011	200,000	0.10	February 7, 2016
March 10, 2011	899,000	0.10	March 10, 2016
May 24, 2011	1,600,000	0.45	May 24, 2016
August 18, 2011	100,000	0.30	August 18, 2016
August 26, 2011	550,000	0.30	August 26, 2016
November 22, 2011	200,000	0.25	November 22, 2016
March 29, 2012	200,000	0.29	March 29, 2017
March 14, 2014	4,075,000	0.20	March 14, 2019
	8,424,000		

(d) Warrants

The following table summarizes activity of the Company's warrants, exercisable for common shares for the period ended March 31, 2014:

	Number of Warrants	Exercise Price
Outstanding, December 31, 2013	6,231,384	$0.30
Granted (Note 6(b))	9,292,296	$0.30
Granted (Note 6(b))	1,641,586	$0.30
Outstanding, March 31, 2014	17,165,266	$0.30

(Expressed in Canadian Dollars)

NOTE 7 SHARE CAPITAL – continued

(d) Warrants - continued

The fair value of the warrants issued during the period was determined using the Black-Scholes option pricing model using the following assumptions:

Risk free interest rate	1.13% - 1.63%
Expected life in years	2 - 5 years
Expected volatility	84% - 105%
Expected dividend yield	0%

Following is a summary of warrants outstanding at March 31, 2014, exercise price and expiry date:

Date Warrants Granted	Number of Warrants	Exercise Price ($)	Expiry Date
October 23, 2013	6,231,384	0.30	October 23, 2018
March 4, 2014	10,933,882	0.30	March 4, 2019
	17,165,266		

NOTE 8 RELATED PARTY TRANSACTIONS

The Company paid a total of $90,000 in consulting fees to an officer and director of the Company during the period (2013 - $60,000). The Company paid a total of $135,000 in management compensation during the period (2013 - $75,000).

As of March 31, 2014, Nil (December 31, 2013 - $29,205) was owing to officers and directors of the Company for unpaid wages and expenses.

(Expressed in Canadian Dollars)

NOTE 9 COMMITMENTS

The Company entered into a lease for office premises which was due to expire on January 31, 2013 with an option to renew the term of the lease for a further three years. The Company exercised the option for a further three years expiring January 2016. The minimum annual lease payments to the expiration of the lease are as follows:

2014	$	39,000
2015	$	39,000
2016	$	3,300

On December 1, 2013, the Company entered into a new lease for additional office space which expires November 30, 2016. The minimum annual lease payments to the expiration of the lease are as follows

2014	$	25,400
2015	$	25,400
2016	$	23,283

NOTE 10 MANAGEMENT OF CAPITAL

The Company defines capital as its equity (currently a deficiency) that may be used for operations and development of its family of pharmaceutical products. The Company's objective in managing capital is to maintain adequate levels of funding to support development of its pharmaceutical products, maintain corporate and administrative functions necessary to support organizational management oversight.

The Board of Directors does not establish quantitative "return on capital" criteria for management. The Company seeks to manage its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through equity capital obtained in private placements as well as debenture financing. There can be no assurances that the Company will be able to continue raising capital in this manner.

The Company does not have any plans to pay dividends within the next year.

NOTE 11 FINANCIAL RISK FACTORS

The Company reviews and manages the key risks that could prevent it from reaching its business objectives. This covers all risk areas, including strategic, operational and financial risks. The key risks identified by management are as follows:

Credit risk
Substantially all of the Company's cash is held with major financial institutions in Canada and management believes the exposure to credit risk with such institutions is not significant. The Company is also exposed to credit risk in the event of non-performance by customers paying outstanding trade receivables. At March 31, 2014 and December 31, 2013 no amounts due from customers were considered past due and no allowance for uncollectible amounts was considered necessary.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities (see note 1). The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as growth and development of its Omega-3 pharmaceutical products. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described above in normal circumstances. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities summarized as follows:

Financial liabilities with 90 days or less	$	600,609
Financial liabilities over 90 days	$	134,289

Interest rate risk
Interest rate risk is the risk that the value of financial instruments may fluctuate due to changes in market interest rate. As at March 31, 2014 and December 31, 2013 the Company has no significant exposure to interest rate risk through its financial instruments.

Foreign currency risk
The Company is exposed to currency risk because it makes purchases and sales transacted in US dollars and Euro. At March 31, 2014, a 10% change in the average exchange rate between Canadian dollars and US dollars or Euro would have resulted in a $5,900 change on reported net loss and comprehensive loss for the period.

(Expressed in Canadian Dollars)

NOTE 12 GEOGRAPHIC INFORMATION

The Company is organized and managed as a single reportable operating segment. No significant non-current assets are held outside of the United States.

Revenue from operations, classified by major geographical segments in which the Company's customers are located was as follows:

	March 31, 2014	March 31, 2013
United States	$ 51,912	$ 72,576
Canada	620	1,066
Total	$ 52,532	$ 73,642

NOTE 13 SUBSEQUENT EVENT

On April 7, 2014, the Company granted previously reserved stock options to certain of its officers, employees, and consultants in recognition of their contributions made in 2013. Options to acquire a total of 4,176,000 common shares of the Company granted in accordance with the provisions of the Company's 2011 stock option plan approved by the shareholders on March 10, 2011. The options are exercisable at an exercise price of $0.20 expiring April 7, 2019.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

TABLE OF CONTENTS

PIVOTAL THERAPEUTICS INC.
(A Development Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2014

DATE AND SUBJECT OF REPORT

The following Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations for Pivotal Therapeutics Inc. (the "**Company**" or "**Pivotal**") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of the Company for the three months ended March 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The MD&A should be read in conjunction with the audited financial statements and notes thereto for the period ended December 31, 2013. The MD&A has been prepared effective May 29, 2014. All amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

Further information is available on the SEDAR website, www.sedar.com.

BUSINESS OVERVIEW

GENERAL AND BUSINESS DEVELOPMENT

The Company is a specialty pharmaceutical company with expertise in cardiovascular science, focused on cardiovascular disease and overall health. Pivotal's lead prescription-only medical food product, VASCAZEN®, is used for the clinical dietary management of cardiovascular disease in patients with documented coronary heart disease and who are deficient in blood Omega-3 fatty acids, Eicosapentaenoic Acid ("**EPA**") and Docosahexanenoic Acid ("**DHA**") levels. VASCAZEN® is a unique pharmaceutical formulation of EPA:DHA and provides the cornerstone upon which a family of combination products, having efficacy across a broad spectrum of cardiac indications, will be developed, and for which the Company is developing a substantial Intellectual Property portfolio. The Company's strategy is centered on cardio-protection that is administered and overseen by a physician. The Company is commercializing VASCAZEN®, as a medical food, through physician prescription and in combination with a unique monitoring strategy.

The Company's operational concept and approach is to participate in areas where it can best create and capture value while minimizing risk. The Company's operational concept and organizational structure was designed to avoid the more costly and asset intensive aspects of the traditional pharmaceutical industry.

At present the Company is funding the following activities through the issuance of securities, including common shares and debt financing:

- Increasing the selling and marketing of product into the North American and International market place resulting in higher revenues;
- Expansion of the product distribution network;
- Prosecution and issuance of seven US and international patent applications;
- Expansion of intellectual property patent portfolio;
- Completion of marketing clinical trials;
- Expansion of a dedicated sales force;
- Investigation of international licensing opportunities;
- Conducting of research and development activities supporting the efficacy of existing products and the introduction of new products;
- Expansion of product offerings;
- Publication of scientific data validating the efficacy of products and concepts;
- Establishment of secure supply chains;
- Ongoing investor presentation and promotion in the interest of broadening the Company's shareholder base.

Listing

The Company is quoted on the Canadian Securities Exchange ("**CSE**" formerly "**CNSX**") under the symbol PVO and trades on the US exchange, OTC Markets QX ("**OTCQX**") under the symbol PVTTF.

CORPORATE UPDATE

The Company achieved the following milestones between January 1, 2014 and the date of this report, as set out in the following announcements:

- January 29, 2014 – the Company announced having received a notice of allowance for a US Patent on its unique 6:1 EPA:DHA formulation in conjunction with anti-obesity agents for the reduction of body weight in cardiovascular disease patients and diabetics;
- March 4, 2014 – the Company announced the adjustment of terms, expansion and closing of its debt financing, resulting in gross proceeds of $7,743,580;
- March 10, 2014 – the Company announced the appointment of Mr. James Connolly to the Board of Directors of Pivotal:
- March 14, 2014 – the Company announced the granting of options to acquire 4,075,000 common shares at an exercise price of $0.20 per share to certain directors, officers, employees and consultants in recognition of contributions made during 2012;
- April 8, 2014 – the Company announced the granting of options to acquire 4,176,000 common shares at an exercise price of $0.20 per share to certain directors, officers, employees and consultants in recognition of contributions made during 2013;
- April 23, 2014 – the Company announced the resignation of two recently appointed directors who had been nominees of Crossover Healthcare Fund, LLC;
- April 30, 2014 – the Company announced its 2013 financial results;
- May 6, 2014 – the Company announced its presentation at the American Heart Association's Arteriosclerosis, Thrombosis and Vascular Biology 2104 Scientific Sessions in Toronto, Canada;
- May 7, 2014 – the Company announced the issuance of US Patent 8,715,648 for its unique 6:1 EPA:DHA formulation;
- May 13, 2014 – the Company announced that is has engaged Brandkarma LLC., an award winning US-based, healthcare marketing and brand specialist with global expertise;
- May 14, 2014 – the Company announced changes to the Board of Directors appointing independent director John S. Gebhardt as Chairman.

KEY ACCOMPLISHMENTS SUBSEQUENT TO COMPLETION OF DEBT FINANCING

As a result of limited financial resources over the course of 2013 and the first two months of 2014 the Company has had to substantially limit its business development activities. Nevertheless, during 2013, the Company continued its ongoing assessment of its pilot sales force programs performance and developed plans for the expansion of its sales force

in an effort to broaden geographic coverage. Pivotal also initiated a Key Opinion Leaders' ("**KOL**") speaking program for healthcare practitioners to present medical and product information on behalf of the Company and its products. This program was also negatively influenced by the lack of financial resources.

The completion of the $7,743,580 debt financing, announced on March 4, 2014, allowed the Company to move forward with a number of its business development and commercialization efforts that had been put on hold. The following is a brief description of the more significant initiatives that have begun subsequent to March 4, 2014.

The Company has expanded its supply of VASCAZEN® with the delivery of product to its US-based distributor. It is anticipated that current inventory levels will satisfy customer requirements for 2014.

Pivotal has begun the in-house process of researching and developing an innovative diagnostic test to assist healthcare practitioners in determining Omega-3 deficiency. Current practice involves providing blood samples to a laboratory for analysis and reporting, a lengthy and time-consuming process. In order to conduct the in-house research the Company is building and outfitting a research laboratory that will be dedicated to this project and the processing of clinical trial samples. In order to initiate and offset some of the costs associated with this project Pivotal has obtained an Industrial Research and Assistance Program ("IRAP") grant and approvals for a Natural Sciences and Engineering Research Council of Canada ("NSERC") grant.

Pivotal has entered into an exclusive supply arrangement with one of the largest integrated physician group practices in the northeast Unites States.

Additionally, Pivotal has recently begun working with an award winning, US-based, branding company. Their client list includes some of the largest healthcare companies in the world. This company will assist Pivotal in developing new and innovative strategies to penetrate US and international markets for its unique Omega-3 products.

Pivotal has recently executed an agreement with a recognized nationwide provider of US sales data. This information will assist the Company to track the effectiveness of its sales and marketing initiatives.

In a continuing effort to improve Corporate Governance, Dr. George Jackowski stepped down as Chairman of the Board effective May 13, 2014 and Mr. John S. Gebhardt was appointed as Chairman of the Board. Dr. Jackowski continues as the Chief Scientific Officer and a director of Pivotal. Consistent with current governance practices both the Chair and Vice Chair of the Board are independent directors of the Company. The Company is actively seeking additional directors in an effort to expand the Board's capabilities and increase stakeholders' value.

GOALS

Pivotal is currently focused on the optimization, clinical refocusing and market development of an established product. By avoiding target discovery, the Company thereby bypasses the long and costly process of concept-to-commercialization clinical trials. VASCAZEN® and OMAZEN® are being manufactured by third party contract manufacturers familiar with the manufacturing of Omega-3 capsules and operating Food and Drug Administration ("**FDA**") regulated, Good Manufacturing Practice ("**GMP**") facilities, thus mitigating the costs and risks associated with the manufacturing process.

The Company is commercializing VASCAZEN® through the utilization of a dedicated and established specialty care sales team, thereby reducing the time to market and the time it will take for Pivotal to realize revenues. VASCAZEN® is being commercialized in the United States (**"US"**) as a prescription-only medical food formulated to meet the dietary Omega-3 deficient needs of patients with cardiovascular disease through elevating EPA and DHA to levels associated with reduced risk of cardiovascular complications. OMAZEN® is being commercialized in Canada for the maintenance of good health through elevating Omega-3 fatty acid levels.

The benefits of Omega-3 are well established and endorsed by the American Heart Association for use in the prevention of cardiovascular events in patients with coronary heart disease. Pivotal's medical food strategy is designed to position VASCAZEN® as the pre-eminent Omega-3 product, and to differentiate it from the many over-the-counter supplements available and other prescription Omega-3 products. The differentiation will be driven by: (i) VASCAZEN®'s unique EPA:DHA ratio; (ii) its anti-inflammatory properties; (iii) its high purity; (iv) the implementation of a far-reaching intellectual property strategy; (v) the physicians who will be targeted and (vi) Pivotal's strategy for monitoring Omega-3 blood levels. Cardiovascular disease has a high inflammatory component. Pivotal's high purity product, enriched with high EPA and a specific level of DHA, is capable of complementing the underlying metabolic processes of the cardiovascular system to restore the proper metabolic balance of inflammatory metabolites to reduce the inflammatory response at the cell membrane level, and thereby promote normal physiologic function and cardiac protection in patients with coronary heart disease.

STRATEGY

Pivotal's strategic commercialization of its lead product, VASCAZEN®, encompasses the following seven concurrent activities:

- Secure the Supply of Oil;
- Contract Encapsulation;
- Continue to Develop and File Intellectual Property;
- Utilize a Diagnostic Test;
- Conduct Additional Marketing Clinical Trials;
- Develop and expand Sales Force and co-marketing relationship(s);
- Product Launch of VASCAZEN® and OMAZEN® into new and expanded markets.

Secure the Supply of Oil – Manufacturing Capability
There are a limited number of organizations that can provide a high purity, pharmaceutical-grade Omega-3 oil. Pivotal has entered into an exclusive arrangement for a source of Omega-3 oil, with the required ratio and purity, from a reputable internationally based company. The manufacturer is a well-established source of Omega-3 and operates GMP facilities providing pharmaceutical grade product. The oil manufacturer has the capacity to meet the production requirements anticipated by Pivotal.

Contract Encapsulation
Pivotal has entered into arrangements with two encapsulators who are currently manufacturing Pivotal's Omega-3 products. These encapsulators are experienced with the special requirements and material-handling issues involved in producing a high quality product in a GMP FDA regulated environment. Alternative supply arrangements afford the Company flexibility and excess capacity to meet anticipated future customer demands.

Develop and File Intellectual Property
The Omega-3 patent field is crowded, with at least one dominant player focused on its own specific EPA:DHA ratio (that differs from the Company's ratio). Based on an extensive patent review, however, Pivotal believes that its unique formulation allows for freedom-to-operate. On February 22, 2012, Pivotal filed five international patent applications under the Patent Cooperation Treaty (**"PCT"**), directed towards it's novel lead product VASCAZEN®, and combinations thereof with certain cardiovascular treatment agents. A PCT application has the effect of a national application for a patent in any of 142 designated PCT countries, including the United States of America, and thereby secures patent pending status for VASCAZEN®. Pivotal continues to make efforts towards the expansion of its intellectual property portfolio. Effective October 26, 2012 the Company received confirmation, from the US Patent Office, of the provisional filing of two additional patents applications increasing Pivotal's patent portfolio to seven.

On May 7, 2014 the Company announced the issuance of US Patent 8,715,648 for its unique 6:1 EPA:DHA formulation. The issuance of this patent represents an important step in further protecting and advancing the commercial potential of VASCAZEN®'s formulation. This patent covers Pivotal's unique formulation in conjunction with anti-

obesity agents for the reduction of body weight in CVD patients and diabetics. This patent has terms that expire no earlier than 2031.

Utilize a Diagnostic Test

Pivotal has combined a unique diagnostic monitoring strategy with VASCAZEN® to analyze the fatty acid composition of blood, including EPA and DHA, to determine a patient's risk of developing cardiovascular disease or dying from a cardiovascular related event. This diagnostic test will assist physicians and healthcare professionals in the identification of the correct population, those individuals deficient in EPA and DHA, and permits monitoring of patient compliance and effectiveness of VASCAZEN®.

Conduct Clinical Trial

A clinical trial involving cardiovascular patients was completed towards the end of 2012, using VASCAZEN®, and forms the basis of a dossier of information to assist Pivotal's sales force. The VASCAZEN® Reveal trial is a randomized, double blind, placebo controlled, multi-center, USA-based study that enrolled 110 patients. The purpose of the study was to evaluate the effects of VASCAZEN® in the correction of Omega-3 deficiency in patients with one or more risk factors associated with CVD, and to evaluate VASCAZEN®'s concomitant effects on cardiovascular risk factors including triglycerides, VLDL cholesterol, LDL cholesterol and HDL cholesterol among others. The primary efficacy endpoint was a correction of an Omega-3 deficiency and secondary endpoints included positive effects on lipid profiles, without adverse events. The results of the clinical trial are expected to be published towards the second half of 2014. The scientific data from the trial will assist physicians and patients in making informed decisions regarding the benefits of taking VASCAZEN®.

Develop and Expand Sales Force and Co-marketing Relationship(s)

The Company is constantly assessing the effectiveness of its dedicated contract sales force performance. Effective February 2013, the Company renegotiated its relationship with a contracted sales force and began employing its sales representatives. This approach has resulted in more effective control of the sales force, reduced costs of operation and increased sales. Desired expansion of the sales force in 2013 was delayed because of the limited availability of capital.

As a result of the extended time frame associated with the completion of financing efforts, plans to expand the sales force and increased sales and marketing activities have been delayed. Despite the delay, the Company's pilot launch demonstrates that there is acceptance of the product from both patients and healthcare providers. The Company is actively looking for a co-marketing partner to assist in its commercialization initiatives.

Commercialization of VASCAZEN® and OMAZEN®

Revenues for the three months ended March 31, 2014 are $52,532 as compared to $73,642 for the three months ended March 31, 2013. While sales to date of the US product, VASCAZEN®, have been limited, acceptance by healthcare professionals is growing and the increased awareness of VASCAZEN® is resulting in positive sales growth, as evidenced by the overall financial results for 2013 of $303,530 in sales, compared to $93,637 for 2012. Sales and sales and marketing expenses dropped by 29% for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013.

The reduction of sales and marketing expenses, which were affected by the lack of financial resources, had a direct negative impact on product sales for the first three months of 2014. With the recent completion of the $7,743,580 debt financing and renewed selling and marketing efforts the Company anticipates an improvement in sales for the remainder of the year.

During the twelve months ended December 31, 2013 and the three months ended March 31, 2014, Company efforts relating to the sale of product in the US have been focused on:

- Training of the Company's dedicated sales force;
- Expanding the product distribution supply chain;
- Educating physicians on the use of VASCAZEN® as a treatment for a dietary deficiency, thereby affecting a much broader range of patients with cardiovascular disease;
- Initializing reimbursement for VASCAZEN® from major private insurers throughout the US;
- Assessing the effectiveness of the Company sales force and marketing strategy;
- Completing clinical trials supporting the efficacy of VASCAZEN®;
- Developing marketing programs and marketing materials in support of the Company's dedicated sales team.

PRINCIPAL PRODUCTS

Pivotal's lead product, VASCAZEN®, is a >90% pure, proprietary EPA:DHA fatty acid formulation, protected by a series of both issued and pending US and foreign patents and commercialized as a prescription only medical food. This unique formulation provides the cornerstone upon which a family of cutting edge combination products, with efficacy across a broad spectrum of cardiac care, will be commercialized. VASCAZEN® is currently being sold in the US market as a prescription only medical food formulated to meet the dietary Omega-3 deficient needs of patients with cardiovascular disease.

Pivotal's second product, OMAZEN®, is a >90% pure, proprietary EPA:DHA fatty acid formulation, being commercialized for sale and distribution in Canada for the maintenance of good health through elevating Omega-3 fatty acid levels. The unique formulation and dosage is available to patients and consumers who realize the health benefits of Omega-3 supplementation with a quality product.

CLINICAL TRIAL

On May 7, 2013 the Company announced that it had presented positive results from the completion of the VASCAZEN®-REVEAL clinical trial. The results and conclusions derived from this clinical trial were significant. The results were presented on May 3, 2013 at the American Heart Association's Arteriosclerosis, Thrombosis and Vascular Biology ("**ATVB**") 2013 Scientific Sessions.

The purpose of the VASCAZEN®-REVEAL trial was to demonstrate that CVD patients are nutritionally deficient in Omega-3 fatty acids, and through treatment with VASCAZEN® such deficiency can be corrected, resulting in the improvement of patient lipid profiles and ultimately reducing CVD risk factors. The trial was a double blind, placebo-controlled study comprised of 110 subjects randomized and stratified by baseline triglyceride levels. The trial analyzed both the placebo (n=54) and VASCAZEN® treated (n=56) groups at baseline and after eight weeks of treatment. The primary endpoints were the change in the Omega-Score and Omega-Index, with secondary endpoints including the change in serum triglyceride, lipoprotein cholesterol (VLDL, LDL, HDL, ApoB, and subfractions), and hsCRP. The Omega-Score and Omega-Index are proprietary diagnostic tests that measure circulating blood levels of Omega-3 in individuals. The Omega-Score and Omega-Index are independent measures of risk factors for CVD. The levels correlate with the risk of CVD events; patients with low levels of Omega-3 have a higher incidence of CVD events than patients with high levels of Omega-3.

VASCAZEN® was demonstrated to be highly effective in correcting an Omega-3 deficiency. In eight weeks of treatment a statistically significant ($p<0.0001$) increase of 121% in the Omega-Score and 112% ($p<0.0001$) in Omega-Index (the blood levels of EPA, DHA and Docosapentaenoic acid, ("DPA") was observed in VASCAZEN® treated subjects. The VASCAZEN®-REVEAL trial confirms Pivotal's Open Label Study results conducted in 2011 that identified >80% of CVD patients as Omega-3 deficient. The VASCAZEN® formulation had a profound effect on correcting an Omega-3 deficiency and positive effect on lipid profiles, mainly the reduction of triglycerides and raising HDL in as little as eight weeks of treatment.

The VASCAZEN®-REVEAL trial confirmed that Omega-3 deficiency is prevalent in individuals with CVD, and that such a deficiency can be corrected with VASCAZEN®, a 6:1 EPA:DHA Omega-3, resulting in a concomitant and significant placebo-corrected reduction in triglycerides and VLDL, and increase in HDL-C in patients with high triglycerides (200-500mg/dL), without adversely affecting LDL-C.

About the Study

The VASCAZEN®-REVEAL trial was a randomized, double blind, placebo controlled, multi-center USA based study that enrolled 110 patients. The purpose of the study was to evaluate the effects of VASCAZEN® in the correction of Omega-3 deficiency in patients with one or more risk factors associated with CVD, and to evaluate VASCAZEN®'s concomitant effects on cardiovascular risk factors including triglycerides, VLDL cholesterol, LDL cholesterol, and HDL cholesterol among others. The primary efficacy endpoint was the correction of an Omega-3 deficiency, and secondary endpoints included positive effects on lipid profiles, without any adverse events.

Of the 110 patients enrolled > 85% were Omega-3 deficient. The VASCAZEN®-REVEAL trial is the first to determine dietary levels of Omega-3 in plasma and in red blood cells using the Omega-Score and Omega-Index diagnostics. Improvement after treatment with VASCAZEN® and the concomitant beneficial effects on CVD risk factors in patients with high triglycerides (200-500mg/dL) was analyzed.

SELECTED FINANCIAL INFORMATION

TRENDS, RESULTS OF OPERATIONS AND ANNUAL RESULTS

Since October 1, 2010, the date of incorporation, the Company has concentrated its efforts in the organization, strategic development and financing of the Company and in securing its intellectual property position. On December 8, 2010, Pivotal Therapeutics Inc. (pre-amalgamation) entered into an amalgamation agreement with a reporting issuer, Media Script Marketing Inc., to amalgamate. The parties entered into a definitive agreement whereby the common shares of Pivotal (pre-amalgamation) and Media Script (consolidated shares) were each exchanged for the common shares of the amalgamated entity (the Company) on a one to one basis, after the common shares of Media Script had been consolidated on a two to one basis. This transaction was completed, resulting in the amalgamated entity continuing as the Company, effective April 7, 2011.

The period of three months ended March 31, 2014 represents the beginning of the Company's fourth full year of operation, as an amalgamated entity, and represents a continuation of Pivotal Therapeutics Inc. (pre-amalgamation) for accounting purposes. Comparative figures are for the three months ended March 31, 2014 and the twelve months ended December 31, 2013.

On March 4, 2014, the Company completed its debt financing that had been announced in October 2013, resulting in the issuance of 7,744 Convertible Promissory units for gross proceeds of $7,743,580. Each unit consists of $1,000 Convertible Promissory Notes ("**Notes**") and 1,200 common share purchase warrants for a total issuance of 9,292,296 warrants. The maturity of the Notes is two years from the date of issuance. Subsequent to the year-end, of December 31, 2013, the conversion price of the Notes was amended from $0.25 to $0.20 for each common share of the Company, the maximum amount of the offering was increased from $5,000,000 and the warrant exercise price was reduced from $0.50 per common share to $0.30. The Notes accrue interest at 8% per annum and the warrants may be exercised at any time for a period of 60 months following the date of issuance at an exercise price of $0.30 per common share. The Company may, at its discretion, pay the interest in either cash or common shares of the Company; valued at the greater of $0.20 per share and such price as may be allowed under the CSE Policy. The Company also incurred financing costs associated with the transaction of $480,544 and issued an aggregate of 1,641,586 agent warrants. The agent warrants may be exercised at a price of $0.30 per common share for a period of 60 months.

The Company's expenses for the three months ended March 31, 2014 increased to $1,524,184 from $828,699 for the three months ended March 31, 2013. Expenses for the three months ended March 31, 2014 include $508,952 of stock based compensation in recognition of contributions made by directors, officers, employees and consultants in 2012, which accounts for the majority of the overall increase of $695,485, when compared to the previous year. The grants of the options for 2012 contributions were awaiting the conclusion of the financing.

Despite the delays in the completion of the Company's financing efforts, many strategic business milestones were achieved by the Company during the twelve months ended December 31, 2013 and the three months ended March 31, 2014, including: (i) as at April 30, 2013 the completion of the REVEAL clinical trial and presentation of top-line results, (ii) on October 2, 2013, the Company announced the completion of a $2,741,809 equity financing and (iii) on October 2, 2013 the Company announced a $5,000,000 debt financing, that resulted in a total of $7,743,580 having been invested by March 4, 2014.

Sales

Product sales for the three months ended March 31, 2014 are $52,532 as compared to $73,642 for the three months ended March 31, 2013. . The three month 2014 sales resulted in a 29% decrease when compared to the same period in the previous year. Sales and marketing expenses dropped by 29% for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013. The reduction of sales and marketing expenses had a direct negative impact on product sales for the first three months of 2014. While sales to date of the US product, VASCAZEN®, have been limited, acceptance by healthcare professionals is growing and the increased awareness of VASCAZEN® is resulting in positive sales growth, as evidenced by the overall financial results for 2013 of $303,530 as compared to $93,637 for 2012. While total sales are not significant the improvement over the previous year confirms the Company's limited sales force and pilot marketing program are effective. With the recent completion of the $7,743,580 debt financing and renewed selling and marketing efforts the Company anticipates an improvement in sales for the remainder of the year 2014.

With the launch of a contracted sales team in the US, in January 2012, the first sales of VASCAZEN® were achieved in April, 2012. The US marketplace is highly competitive and the Company has faced a number of barriers to entry, such as insurance coverage and reimbursement, pricing, physicians' acceptance, marketing and advertising. The Company assessed the effectiveness of using a contracted sales force in the difficult market place and determined it was more desirable to develop its own sales force, commencing direct sales in March 2013. Although sales per sales representative have exceeded comparatives, the Company's limited financial resources have restricted its ability to employ an optimal number of sales representatives and thus geographic coverage is limited.

Expenses

The Company anticipates that expenses will continue to increase commensurate with an increase in sales activity, selling efforts and expansion of its product portfolio.

During the three months ended March 31, 2014, the Company had stock-based compensation of $508,952 as compared to $Nil for the three months ended March 31, 2013. Stock-based compensation represents the fair value of the options granted during the three months ended March 31, 2014 and was determined using the Black-Scholes option pricing model. The increase reflects the value associated with the issuance of options to acquire 4,075,000 common shares of the Company. The Company deferred its issuance of options until it concluded its equity financing. Following the closing on October 2, 2013 of the equity financing and the closing of its subsequent debt financing

on March 4, 2014, the Company granted previously reserved stock options to certain of its directors, officers, employees and consultants for contributions made in 2012.

During the three months ended March 31, 2014, the Company had sales and marketing expenses of $256,448 as compared to $359,783 for the three months ended March 31, 2013, a decrease of $103,335. The decrease reflects cost savings resulting from a decrease in selling and marketing efforts that was deemed necessary due to the Company's limited financial resources during the period. With the completion of the recent debt financing, the Company anticipates an increase in selling and marketing expenses for the remainder of 2014. With increased capital resulting from the financings, the Company entered into an agreement with a sales and marketing branding company to assist in the implementation of the next stage in the Company's commercialization strategy subsequent to the end of the first quarter. In addition, Pivotal has entered into agreements to obtain retail pharmaceutical sales data to assist in the identification of new selling opportunities and the refining of current efforts.

During the three months ended March 31, 2014, the Company had consulting expenses of $171,375 as compared to $129,691 for the three months ended March 31, 2013. The increase of $41,684 relates to an increase in third party consultants being utilized in business development activities.

During the three months ended March 31, 2014, the Company had research and development costs of $165,773 as compared to $80,856 for the three months ended March 31, 2013. The increase of $84,917 in research and development costs is directly attributed to an increase in research and development activity. Research and development cost are planned to continue to increase for the remainder of 2014 in conjunction with an expansion of in-house research staff, the constructing and outfitting of a dedicated research laboratory and the commencement of activities leading to the development of a rapid format Omega-3 diagnostic. The Company plans to develop a rapid format diagnostic that can be used in the physician office's to provide an analysis of a patient's Omega-3 deficiency levels.

During the three months ended March 31, 2014, the Company had salaries and benefits expenses of $223,675 as compared to $91,786 for the three months ended March 31, 2013, an increase of $131,889. The increase reflects increases to executive compensation retroactive to January 1, 2014 (an aggregate of $90,000), to bring compensation levels up to comparatives, and a $74,630 performance based compensation payment.

During the three months ended March 31, 2014, the Company had office and general administration expenses of $77,559 as compared to $65,417 for the three months ended March 31, 2013. The increase of $12,142 relates to the lease of additional space requirements in connection with the establishment of an in-house research facility.

During the three months ended March 31, 2014, the Company had interest on long term debt of $47,522 as compared to $Nil for the three months ended March 31, 2013. The increase of $47,522 relates to accrued interest on the recent Convertible Promissory Notes financing.

During the twelve months ended December 31, 2013, the Company was required to provide an inventory impairment provision of $271,068. No such provision was required for the three months ended March 31, 2014. This provision relates to the possibility that a portion of existing VASCAZEN® and OMAZEN® inventories will not be distributed or sold prior to the expiration date of the product based on forecasted sales levels. Pivotal had produced sufficient inventory to meet with projected demand resulting from anticipated increase in sales and marketing efforts. The delays in financing for the Company had a serious negative effect on sales and marketing activities for 2013 and the beginning of 2014 resulting in downward revisions to forecasted sales.

During the three months ended March 31, 2014, the Company had professional fees of $25,065 as compared to $57,888 for the three months ended March 31, 2013, a decrease of $32,823. The three month decrease in professional fees resulted primarily from a reduction in legal fees and related activities.

During the three months ended March 31, 2014, the Company had rent and utilities expenses of $17,954 as compared to $13,202 for the three months ended March 31, 2013, a increase of $4,752. The increase relates to an expansion of space requirements in connection with the establishment of an in-house research facility.

During the three months ended March 31, 2014, the Company had registration fees of $7,046 as compared to $18,014 for the three months ended March 31, 2013, a decrease of $10,968. These costs are associated with the Company being listed on two exchanges, the Canadian Securities Exchange ("**CSE**") (formerly "**CNSX**") and the OTC Markets QX ("**OTCQX**").

During the three months ended March 31, 2014, the Company had amortization of intangible assets expenses of $8,415 as compared to $6,500 for the three months ended March 31, 2013. This expense pertains to the amortization of intellectual property. Intellectual property had an original carrying value of $520,000 and has been supplemented by capitalized investment in prosecuting and maintaining the portfolio. Intellectual property expenditures during 2013 resulted in an increase to such intangible assets of $139,167. In addition expenditures of $14,063, incurred during the first three months of 2014 have been added to the carrying value. The amortization of the increase in value explains the increase in amortization expense for the three months ended March 31, 2014.

During the three months ended March 31, 2014, the Company had depreciation expenses of $14,400 as compared to $5,562 for the three months ended March 31, 2013, an increase of $8,838. The increase in depreciation is related to the increase in research and development equipment as a result of purchases made in connection with the Company expanding its in-house research facility for the purposes of pursuing a rapid-format diagnostic test to assist healthcare practitioners in determining Omega-3 deficiency.

During the three months ended March 31, 2014, the Company had accretion expense of $111,343 as compared to $Nil for the three months ended March 31,2013. Accretion expense is related to the Company's Convertible Promissory Notes as described in Note 6(b) to the condensed interim consolidated financial statements for the period ended March 31,

2014. This expense reflects the difference, which is recognized as an expense over the life of the promissory notes, between the face value of the promissory notes and the fair value at which they are reported in the Company's statement of financial position. Total accretion expense for the three months ended March 31, 2014 amounted to $111,343 and represents $55,658 in relation to the non-interest bearing advances received prior to December 31, 2013 and $55,685 in relation to the debt financing completed in March 2014.

Trends

Based on completion of its initial private placements, amalgamation, and warrant exercise, the Company was able to fund its initial growth plan and begin to commercialize its lead product, VASCAZEN®.

During 2012, although its contract sales group's performance positively contributed to revenues, the Company was not satisfied with the progress that was being made. Effective February 2013, the Company renegotiated its relationship with its sales force contractor, resulting in the sales force becoming directly employed. This action has resulted in a more effective control of the sales force, reduced costs of operation and increased sales. Bringing the sales team in-house has produced positive effects. Sales for 2013 increased by 224% over 2012. The Company anticipates that the trend will continue to be positive.

Sales, marketing, product distribution, clinical trials and reimbursement activities undertaken and managed during the twelve months ended December 31, 2013 were restricted as the Company made every effort to control costs and preserve financial resources. While total sales are not significant, the improvement over the previous year confirms the Company's limited sales force and selling efforts are effective and that the expansion of the sales team and selling efforts is viable.

The Company has developed plans for the expansion of the sales force in an effort to broaden geographic coverage. In addition, Pivotal initiated a KOL speaking program in 2013 to utilize relevant health-care practitioners in presenting medical and product education on behalf of the Company and its products.

On October 2, 2013 the Company announced that the equity portion of its private placement had raised gross proceeds of $2,741,809, and issued 12,462,768 units at a price of $0.22 per unit. Each unit consisted of one common share and one-half purchase warrant. Prior to closing, the terms of the purchase warrants were revised from an expiry of 24 months to 60 months and the warrants' exercise price was revised from $0.50 per common share to $0.30 per common share. The purchase warrants may be called by the Company at any time after six months following the closing, provided the common shares of the Company have traded at a price of at least $0.45 for 20 trading days within a 30 day consecutive trading period.

On March 4, 2014, the Company completed its debt financing that had been announced in October 2013, resulting in the issuance of 7,744 Convertible Promissory units for gross proceeds of $7,743,580. Each unit consists of $1,000 Convertible Promissory Notes ("**Notes**") and 1,200 common share purchase warrants for a total issuance of 9,292,296 warrants. The maturity of the Notes is two years from the date of issuance. Subsequent

to the year end, the conversion price of the Notes was amended from $0.25 to $0.20 for each common share of the Company, the maximum amount of the offering was increased from $5,000,000 and the warrant exercise price was reduced from $0.50 per common share to $0.30. The Notes accrue interest at 8% per annum due and payable quarterly with the first payment due three months from the date of issuance, (July 1, 2014). The Company may, at its discretion, pay the interest in either cash or common shares of the Company, valued at the greater of $0.20 per share and such price as may be allowed under the CSE's policy (CNSX policy). The warrants may be exercised at any time for a period of 60 months following the date of issuance at an exercise price of $0.30 per common share. The Company also incurred financing costs associated with the transaction of $480,544 and issued an aggregate of 1,641,586 agent warrants. The agent warrants may be exercised at a price of $0.30 for a period of 60 months.

The following tables provide selected financial information that should be read in conjunction with the audited consolidated financial statements and the unaudited condensed interim consolidated financial statements of the Company.

SUMMARY OF SELECTED QUARTERLY RESULTS

Income Statement Items	**Three Months ended March 31, 2014 (unaudited)**	**Three Months ended December 31, 2013 (unaudited)**	**Three Months ended September 30, 2013 (unaudited)**	**Three Months ended June 30, 2013 (unaudited)**	**Three Months ended March 31, 2013 (unaudited)**
Total Net Revenues	$52,532	$75,860	$60,839	$93,189	$73,642
Net Loss	$(1,613,667)	$(964,088)	$(492,719)	$(721,517)	$(783,436)
Weighted Average Number of Shares Outstanding	91,916,277	82,526,520	79,453,509	79,453,509	79,453,509
Loss per Common Share	$(0.02)	$(0.01)	$(0.01)	$(0.01)	$(0.01)

Statements of Financial Position as at	**March 31, 2014 (unaudited)**	**December 31, 2013 (audited)**
Assets		
Current Assets	$5,274,249	$1,191,098
Production Advance	$175,013	$165,348
Equipment	$379,945	$74,368
Intangible Assets	$586,357	$580,709
Total Assets	$6,415,564	$2,011,523
Liabilities		
Current Liabilities	$797,660	$655,682
Long Term Liabilities	$5,917,009	$1,967,293
Total Liabilities	$6,714,669	$2,622,975
Shareholders' Equity		
Share Capital	$7,962,346	$7,962,346
Other Paid-in Capital	$3,052,892	$1,458,518
Warrants	$869,583	$537,943
Deficit	$(12,183,926)	$(10,570,259)
Total Liabilities and Shareholders' Equity	$6,415,564	$2,011,523

LIQUIDITY AND CAPITAL RESOURCES

The financial statements are prepared in accordance with IFRS and on the assumption that the Company will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations as a going concern. The Company's ability to discharge its liabilities and realize the carrying value of its assets in the normal course of operations is dependent upon, among other things, being able to raise the required capital amount of debt and/or equity financing for profitable operations to be achieved.

The majority of the Company's funding is attributed to the completion of its first private placement together with additional funding received from a second private placement. The Company's first private placement occurred through the issuance of a unit ("**Unit**") consisting of one common share and one-half of one common share purchase warrant, with a subscription price of $0.10 per Unit. As at February 2, 2011 the Company was successful in completing the first private placement resulting in gross proceeds of $2,378,844.

On July 14, 2011, after having met the conditions of an Accelerated Event, the Company issued a call on the share purchase warrants. Following an extension of the exercise period, Warrant holders of record had until 5:00 pm on September 16, 2011 to exercise their warrants, with each full warrant, at a price of $0.25 per common share, entitling the holder to purchase one common share in the capital of the Company. The cumulated exercise of 10,466,392 common stock purchase warrants resulted in net proceeds of $2,616,598.

On June 25, 2012, the Company announced having entered into a subscription agreement for a $5,000,000 non-brokered private placement with a US Institutional Fund. Pursuant to the subscription agreement, the Company had agreed to issue 22,727,273 units at a price of $0.22 each. Each unit consisted of one common share and one-half purchase warrant. Each full purchase warrant may be exercised to purchase one common share of the Company upon payment of the exercise price of $0.50 per common share. Units were to be issued in tranches as funds were received. The purchase warrants were to expire 24 months following the closing of each tranche and may be called by the Company at any time after six months following the closing, provided the common shares of the Company have traded at a price of at least $0.75 per share for 20 trading days within a 30 day consecutive trading period.

On October 2, 2013 the Company announced that equity portion of the private placement had raised gross proceeds of $2,741,809 representing 12,462,768 units at a price of $0.22 per unit. Each unit consist of one common share and one-half purchase warrant. The terms of the purchase warrants were revised from an expiry of 24 months to 60 months. The warrants' exercise price was reduced from $0.50 per common share to $0.30 per common share. The purchase warrants may be called by the Company at any time after six months following the closing, provided the commons shares of the Company have traded at a price of at least $0.45 for 20 trading days within a 30 day consecutive trading period.

On March 4, 2014, the Company completed its debt financing that had been announced in October 2013, resulting in the issuance of 7,744 Convertible Promissory units for gross proceeds of $7,743,580. Each unit consists of $1,000 Convertible Promissory Notes ("Notes") and 1,200 common share purchase warrants for a total issuance of 9,292,296 warrants. The maturity of the Notes is two years from the date of issuance. Subsequent to the year end, the conversion price of the Notes was amended from $0.25 to $0.20 for each common share of the Company, the maximum amount of the offering was increased from $5,000,000 and the warrant exercise price was reduced from $0.50 per common share to $0.30. The Notes accrue interest at 8% per annum due and payable quarterly with the first payment due three months from the date of issuance, (July 1, 2014). The Company may, at its discretion, pay the interest in either cash or common shares of the Company, valued at the greater of $0.20 per share and such price as may be allowed under the CSE's policy (CNSX policy). The warrants may be exercised at any time for a period of 60 months following the date of issuance at an exercise price of $0.30 per common share. The Company also incurred financing costs associated with the transaction of $480,544 and issued an aggregate of 1,641,586 agent warrants. The agent warrants may be exercised at a price of $0.30 for a period of 60 months.

There are currently no defaults or arrears by the Company on:

i) Dividend payments, lease payments, interest or principal payment on debt;
ii) Debt covenants; or
iii) Redemption or retraction or sinking fund payments.

As of the date of this MD&A, the Company did not have any commitments for capital expenditures.

At March 31, 2014, the Company had cash totaling $4,617,305 compared to $487,199 at December 31, 2013. The increase in cash that occurred during the three months ended March 31, 2014 is primarily due to an increase in cash resulting from revenues of the sale of VASCAZEN® in the US market and the completion of equity and debt financings.

WORKING CAPITAL

Working capital (defined as current assets minus current liabilities) has increased to $4,651,602 from $700,764 for the three months ended March 31, 2014 as compared to December 31, 2013, mainly as a result of an increase in financing activities, a reduction in cash used for operating activities, and an increase in the acquisition of equipment and intangible asset additions. In order for the Company to sustain operations it will require additional capital. The Company expects to satisfy operating cash requirements over the next twelve months from cash on hand, collection of anticipated revenues resulting from commercialization activities, development or marketing license agreements, through managing operating expenses, completion of existing equity financing and additional equity or debt financings. There are no assurances that Pivotal will be able to obtain any new capital on desirable terms or in amounts sufficient to meet its operating needs. The availability of financing for the Company will be affected by, amongst other things, the success of its commercialization efforts, the results of its clinical studies, the market acceptance of its products, the general state of the capital markets, its strategic alliance

agreements and other commercial factors. In the event that Pivotal is unable to obtain additional capital over the next twelve months, there may be substantial doubt about the Company's ability to continue as a going concern and realization of assets and payment of liabilities as they become due.

CAPITAL EXPENDITURES

Total capital expenditures for the three months ended March 31, 2014 were $319,977, an increase from the December 31, 2013 amount of $306,874. Capital expenditures for the three months ended March 31, 2014 relate to the purchase and expansion of research equipment and facilities. Total capital expenditures for 2014 are anticipated to increase further as internal research and development efforts increase. The Company intends to fund 2014 capital expenditures from working capital.

CONTRACTUAL OBLIGATIONS

During the financial year ended December 31, 2011, $709,326 was provided as a production advance to a supplier under an exclusive supply agreement. Under the revised terms of the supply agreement, $567,068 of the production advance of $709,326 was utilized during 2012 as settlement of an outstanding accounts payable obligation. The remaining balance as at March 31, 2014 was $175,013.

In addition, the Company has entered into a lease for office premises, which was scheduled to expire on January 31, 2013, with an option to renew the term of the lease for a further three years. The Company exercised the option for a further three years expiring January 2016. The minimum annual rental payments to the end of the lease term are as follows:

2014: $39,000
2015: $39,000
2016: $3,300

On December 1, 2013, the Company entered into a new lease for additional office space which expires November 30, 2016. The minimum annual rental payments to the end of the lease term are as follows:

2014: $25,400
2015: $25,400
2016: $23,283

DISCLOSURE CONTROL AND PROCEDURES

Under the supervision and with the participation of Pivotal's management, including the Chief Executive Officer, President and Chief Financial Officer, Pivotal has evaluated the effectiveness of its disclosure controls and procedures as at March 31, 2014. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Company's Chief Executive Officer, President and Chief Financial Officer, as appropriate, to allow required disclosures to be made on a timely basis. Based on the evaluation, management has concluded that these disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining effective internal control over financial reporting.

Internal control over financial reporting include those policies and procedures that establish the following: maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets; reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable generally accepted accounting principles; receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Management has concluded that internal control over financial reporting is effective. The design and operation of internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles.

OFF BALANCE SHEET ARRANGEMENTS

As at May 29, 2014, the Company did not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions to discuss at this time.

TRANSACTIONS WITH RELATED PARTIES

The Company paid a total of $90,000 in consulting fees to an officer and director of the Company for the three months ending March 31, 2014, compared to $60,000 for the three months period ended March 31, 2013. The Company paid a total of $135,000 in management compensation for the three months ending March 31, 2014, compared to $75,000 for the three months period ended March 31, 2013.

As at March 31, 2014, $Nil was owing to officers and directors of the Company for unpaid expenses as compared to $29,205 as at December 31, 2013.

CONTINGENCIES

As at the date of this report, the Company did not have any contingencies outstanding.

OUTSTANDING SHARE DATA

As at:	March 31, 2014	December 31, 2013
Authorized:		
Unlimited number of common shares without par value		
Issued and Outstanding:		
Common shares (1)	91,916,277	91,916,277
Common share value	$7,962,346	$7,962,346
Common share purchase warrants to be issued	17,165,266	6,231,384
Common share purchase warrants to be issued value	$5,149,579	$1,869,415
Stock options exercisable at $0.10, expiry Jan 11, 2016	600,000	600,000
Stock options exercisable at $0.10, expiry Feb 7, 2016	200,000	200,000
Stock options exercisable at $0.10, expiry Mar 10, 2016	899,000	899,000
Stock options exercisable at $0.45, expiry May 24, 2016	1,600,000	1,600,000
Stock options exercisable at $0.30, expiry Aug 18, 2016	100,000	100,000
Stock options exercisable at $0.30, expiry Aug 26, 2016	550,000	650,000
Stock options exercisable at $0.25, expiry Nov 22, 2016	200,000	200,000
Stock options exercisable at $0.29, expiry Mar 29, 2017	200,000	200,000
Stock options exercisable at $0.20, expiry Mar 14, 2019	4,075,000	-
	8,424,000	4,449,000
Total stock options issued and outstanding	1,000	1,000
Total stock options exercised	5,362,441	9,337,441
Total stock options available for issuance		
Total stock option plan (15% of common share issued and outstanding)	13,787,441	13,787,441

COMMON SHARES

On October 2, 2013, the Company announced that the equity portion of the private placement had raised gross proceeds of $2,741,809 representing 12,462,768 units at a price of $0.22 per unit. Each unit consist of one common share and one-half purchase warrant. The terms of the purchase warrants have been revised from an expiry of 24 months to 60 months. The warrants exercise price has been revised from $0.50 per common share to $0.30 per common share. The purchase warrants may be called by the Company at any time after six months following the closing, provided the commons shares of the Company have traded at a price of at least $0.45 for 20 trading days within a 30 day consecutive trading period.

WARRANTS

For the three months ended March 31, 2014 there were 17,165,266 warrants issued and outstanding.

Pursuant to the private placement, the closing of the equity portion, which was announced on October 2, 2013, the Company has agreed to issue 6,231,384 common share purchase warrants, each of which purchase warrant may be exercised to purchase one common share of the Company upon payment of the exercise price of $0.30 per common share. The purchase warrants expire 60 months following the closing and may be called by the Company at any time after six months following the closing, provided the common shares of the Company have traded at a price of at least $0.45 per share for 20 trading days within a 30 day consecutive trading period. To date no warrants issued in connection with this financing have been exercised.

On March 4, 2014, the Company completed its debt financing that had been announced in October 2013, resulting in the issuance of 7,744 Convertible Promissory units for gross proceeds of $7,743,580. Each unit consists of $1,000 Convertible Promissory Notes ("Notes") and 1,200 common share purchase warrants for a total issuance of 9,292,296 warrants. The maturity of the Notes is two years from the date of issuance. Subsequent to the year-end, the conversion price of the Notes was amended from $0.25 to $0.20 for each common share of the Company, the maximum amount of the offering was increased from $5,000,000 and the warrant exercise price was reduced from $0.50 per common share to $0.30. The Notes accrue interest at 8% per annum due and payable quarterly with the first payment due three months from the date of issuance, (July 1, 2014). The Company may, at its discretion, pay the interest in either cash or common shares of the Company, valued at the greater of $0.20 per share and such price as may be allowed under the CSE's policy (CNSX policy). The warrants may be exercised at any time for a period of 60 months following the date of issuance at an exercise price of $0.30 per common share. The Company also incurred financing costs associated with the transaction of $480,544 and issued an aggregate of 1,641,586 agent warrants. The agent warrants may be exercised at a price of $0.30 for a period of 60 months.

STOCK OPTIONS

No stock options were granted during the year ended December 31, 2013. No options were exercised during the year ended December 31, 2013. On February 1, 2014, 100,000 stock options granted August 26, 2011 to a past employee were not exercised within the required option period following the employee departure and were forfeited. On March 14, 2014, The Company granted previously reserved stock options to certain of its directors, officers, employees and consultants in recognition of contributions made in 2012. Options to acquire a total of 4,075,000 common shares of the Company were granted in accordance with the provisions of the Company's 2011 stock option plan approved by shareholders on March 10, 2011. The options are exercisable at an exercise price of $0.20 and will expire five years following the date of the grant.

SUBSEQUENT EVENTS

On April 7, 2014, the Company granted previously reserved stock options to certain of its directors, officers, employees and consultants in recognition of their contributions made in 2013. Options to acquire a total of 4,176,000 common shares of the Company were granted in accordance with the provisions of the Company's 2011 stock option plan approved by shareholders on March 10, 2011. Included in the total are 250,000 options granted to Crossover Healthcare Fund, LLC in recognition of services provided. The options are exercisable at an exercise price of $0.20 and will expire five years following the date of the grant.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Please refer to Note 2 of the Company’s December 31, 2013 audited consolidated financial statements.

RISK AND UNCERTAINTIES

The Company is subject to numerous risks and uncertainties as a result of its stage of development. The following risk factors outline some of the risks that may impact the Company and its business but are not a definitive list of all risk factors associated with the Company and its business.

Development Stage Company

The Company is subject to all the risks inherent in the establishment of a new business enterprise, including the need to develop efficient systems while focusing on the development of new products. The likelihood of success of the Company must be considered in view of the problems, expenses, difficulties and delays frequently encountered in connection with the development of a new business.

Strategic and Operational Risks

Strategic and operational risks are risks that arise if the Company fails to launch its product into the market place on a profitable and timely basis or fails to raise the required capital of debt and/or equity financing for profitable operations to be achieved. The strategic opportunities or threats arise from a range of factors, which might include: (1) competitors actions, (2) regulatory requirements and (3) general economic and political conditions.

Fair Value

The carrying value of cash, accounts receivable, government remittances receivable, accounts payable and accrued liabilities do not materially differ from their fair values given their short-term to maturity.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as growth and development of its Omega-3 pharmaceutical products. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 12 of the audited consolidated financial statements for the twelve months ended December 31, 2013.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and government remittances payable, for financial liabilities within 90 days or less of $600,609 and financial liabilities of over 90 days of $134,289. In the event that Pivotal is unable to obtain additional capital over the next twelve months, there may be substantial doubt about the Company's ability to continue as a going concern and realization of assets and payment of liabilities as they become due.

Interest Rate Risk

The Company's cash and cash equivalents are held in the form of cash deposits and/or term deposits at a Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of the financial institutions. As at March 31, 2014 and December 31, 2013 the Company has no significant exposure to interest rate risk through its financial instruments.

Foreign Currency Risk

The Company is exposed to currency risk because it makes purchases and sales transacted in US dollars and Euro. At March 31, 2014, a 10% change in the average exchange rate between Canadian dollars and US dollars or Euro would have resulted in a $5,900 change on reported net loss and comprehensive loss for the year.

Credit Risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Substantially all the Company's cash is held with major financial institutions in Canada and management believes the exposure to credit risk with such institutions is not significant. The Company is also exposed to credit risk in the event of non-performance by customers paying outstanding trade receivables. At March 31, 2014 and December 31, 2013 no amounts due from customers were considered past due and no allowance for uncollectible amounts was considered necessary.

General and Industry Risks

The Company's financial success may be dependent upon the extent to which it can develop, market and distribute its lead product, VASCAZEN®.

Competition

The pharmaceutical/health care industry is intensely competitive in all of its phases, and the Company will compete with many companies possessing greater financial resources and technical facilities than the Company.

Additional Funding Requirement

The Company will require additional capitalization to further manufacture and market its products, and to continue protection of its intellectual property portfolio. The Company will likely need to raise additional funds to support its long-term product development and commercialization programs. The Company offers no assurance that future funding will be secured or, if secured, will be on reasonable terms.

Capital

The primary source of future funds presently available to the Company is through the sale of equity capital or the assumption of debt. There is no assurance that such sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares may dilute the interests of their current shareholders. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company's strategic goals.

No History of Earnings or Dividends

To date, the Company has limited history of earnings, and there is no assurance that the Company will generate earnings. The Company has not generated significant revenues from the sale of products and accordingly has not made an operating profit. The accumulated deficit as at March 31, 2014 is $12,183,926. It is anticipated that the Company will continue to experience operating losses in the short run until significant commercial sales have been achieved. There can be no assurance that the Company will ever achieve significant revenues, profitable operations or provide a return on investment in the future. The Company has no plans to pay dividends for the foreseeable future.

Potential Profitability Depends Upon Factors Beyond the Control of the Company

The potential profitability of the Company is dependent upon many factors beyond the Company's control. Profitability also depends on the costs of operations, including costs of labor, equipment, electricity, regulatory compliance or other production inputs. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, events, which cause worldwide economic uncertainty, may make the raising of funds for development difficult. These changes and events may materially affect the financial performance of the Company.

Possible Volatility of Securities Prices

The market price of the Company's securities following the offering may be highly volatile, as has been the case with securities of other companies in emerging industries. Factors such as the Company's operating results and announcements by the Company or its competitors concerning technological innovations or new products may have a significant effect on the market price of the Company's securities. In addition, market prices for securities of many emerging companies have experienced wide fluctuations not necessarily related to the operating or other performance of such companies.

Key Personnel and External Collaborators

Pivotal's product development capacity will depend, to a great extent, on its ability to attract and retain highly qualified staff, as well as to establish and maintain relationships with its collaborators. The competition in this area is very intense. Pivotal's success is highly dependent upon its senior officers, its scientific personnel as well as its consultants and collaborators. The loss of key employees or collaborators, if any, could compromise the pace and success of the Company's product development.

Government Regulation

The business of the Company may be subject to government regulation, including the Health Protection Branch of Health Canada, the US Food and Drug Administration ("**FDA**") and applicable health authorities in other countries, with regard to the development, testing, manufacturing and marketing of the products. Even though the Company's product will be marketed as a Medical Food, a distinct category of FDA regulated products that do not require FDA premarket approval; there are a number of strict guidelines that must be adhered to. There can be no assurance that any required regulatory approvals will be maintained and/or obtained on a timely basis or at all, or that difficulties or excessive costs will not be encountered by the Company in its efforts to secure necessary approvals, which could delay for a considerable period of time or prevent the Company from marketing its products. Regulatory authorities may impose costly requests upon the Company for additional data, the result of which may be a delay in the marketing of its products. Any such delay in obtaining or failure to obtain such approvals would adversely affect the marketing of the Company's planned products and the ability to earn product revenues.

Patents and Proprietary Technology

The Company's success will depend, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of others. Interpretation and evaluation of biotechnology patent claims present complex and often novel legal and factual questions. Accordingly, there is some question as to the extent to which discoveries and related products and processes can be effectively protected by patents. There can be no assurance that the patent applications assigned to the Company will be issued or that any issued patents will be valid and enforceable if challenged or that any patent will provide the Company with a competitive advantage. In addition, others may have filed patent applications and may have been granted patents or otherwise obtained proprietary rights to technologies potentially useful to the Company. The extent to which the Company may be required to modify its products by reason of the rights asserted by others is also unknown. There is no assurance that the Company's proprietary technology will not be circumvented through adoption of a competitive though non-infringing process or product. The cost of enforcing the Company's patent rights, if any, in lawsuits that the Company may bring against infringers or defending itself against infringement charges by other patent holders may be significant and could limit the Company's operations.

Manufacturing Capabilities

The Company is a development stage company with no existing manufacturing capabilities and is reliant upon entering into supply and manufacturing agreements with third parties for the manufacture of product. There can be no assurance that the Company will be able to manufacture or negotiate agreements to manufacture any products on a cost effective basis.

Limited Supply

There are a limited number of potential suppliers of highly purified Omega-3 for the Company's products. There can be no assurance that the Company will be able to lock up supply from these organizations for any significant length of time nor is there any assurance that the supplier will be able to supply all the oil required by the Company.

Dependence on Single Product Line

Although the Company anticipates developing other products, its operations are currently restricted to the development of its lead product, VASCAZEN®. In the event the Company is unable to market such products for any reason, it would be materially adversely affected.

Sales and Marketing

The Company has no history of selling, marketing or distributing any products. In order to market any of its products, the Company has established a dedicated sales force with expertise in such areas as marketing, sales and customer support in the United Sates. There can be no assurance that the sales or marketing efforts will be successful.