Med BioGene Inc.
(a development stage company)

Condensed Consolidated Interim Financial Statements
Nine Months Ended September 30, 2014 and 2013
(Expressed in US dollars)

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Med BioGene Inc.

(a development stage company)
Condensed Consolidated Interim Statements of Financial Position
Unaudited – Prepared by Management

(expressed in US dollars)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash	$ 179,153	$ 181,507
Receivables (Note 5)	1,891	2,348
Prepaid expenses	3,300	-
Total assets	$ 184,344	$ 183,855
LIABILITIES		
Current liabilities		
Accounts payable	$ 62,968	$ 61,469
Due to related parties (Note 7)	8,085	9,762
Total liabilities	71,053	71,231
EQUITY		
Common shares (Note 6)	8,783,198	8,603,874
Equity reserves (Note 6)	4,620,151	4,620,151
Deficit accumulated during the development stage	(13,583,888)	(13,443,306)
Accumulated other comprehensive income	293,830	331,905
Total equity	113,291	112,624
Total liabilities and equity	$ 184,344	$ 183,855

Nature of operations and going concern (Note 1)
Contingencies and commitments (Note 9)

Approved by the Board of Directors on November 28, 2014

"Dr. *Iain Weir-Jones"*	*"Dr. Terence Friedlander"*
Director	Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Med BioGene Inc.

(a development stage company)
Condensed Consolidated Interim Statements of Comprehensive Loss
Unaudited – Prepared by Management

(expressed in US dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Expenses				
General and administrative (Note 7)	$ 10,701	$ 474,383	$ 140,582	$ 691,968
Loss for the period	(10,701)	(474,383)	(140,582)	(691,968)
Other comprehensive loss	(37,016)	(1,872)	(38,075)	(6,127)
Comprehensive loss for the period	$ (47,717)	$ (476,255)	$ (178,657)	$ (698,095)
Basic and diluted loss per share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)
Weighted average number of common shares	79,969,311	79,925,833	79,940,539	78,724,076

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Med BioGene Inc.

(a development stage company)
Condensed Consolidated Interim Statements of Cash Flows
Unaudited – Prepared by Management

(expressed in US dollars)

	Nine months ended September 30, 2014	2013
Cash flows from (used in) operating activities		
Loss for the period	$ (140,582)	$ (691,968)
Items not affecting cash:		
Foreign exchange	(42,609)	(4,779)
Share-based payments	-	357,705
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities and due to related parties	(178)	94,806
Receivables	457	(32,459)
Prepaid expenses	(3,300)	(3,096)
Net cash used in operating activities	(186,212)	(279,791)
Cash flows from (used in) financing activities		
Proceeds from private placement	179,324	-
Exercise of warrants	-	225,792
Net cash provided by financing activities	179,324	225,792
Effect of exchange rate changes on cash	(4,534)	(1,348)
Change in cash	(2,354)	(55,347)
Cash – beginning of period	181,507	355,326
Cash – end of period	$ 179,153	$ 299,979

Supplemental disclosure with respect to cash flows (Note 8)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Med BioGene Inc.

(a development stage company)
Condensed Consolidated Interim Statements of Changes in Equity
Unaudited – Prepared by Management

(expressed in US dollars)

	Number of shares	Common shares	Warrants and equity reserves	Accumulated other comprehensive income	Deficit accumulated during the development stage	Total equity
Balance - December 31, 2012	**77,607,833**	**$ 8,370,351**	**$ 4,270,177**	**$ 338,145**	**$ (12,684,018)**	**$ 294,655**
Exercise of warrants	2,318,000	233,523	(7,731)	-	-	225,792
Other comprehensive loss for the period - Cumulative translation adjustment	-	-	-	(6,127)	-	(6,127)
Share-based payments	-	-	357,705	-	-	357,705
Loss for the period	-	-	-	-	(691,968)	(691,968)
Balance - September 30, 2013	**79,925,833**	**$ 8,603,874**	**$ 4,620,151**	**$ 332,018**	**$ (13,375,986)**	**$ 180,057**
Balance – December 31, 2013	**79,925,833**	**$ 8,603,874**	**$ 4,620,151**	**$ 331,905**	**$ (13,443,306)**	**$ 112,624**
Private placement	4,000,000	179,324	-	-	-	179,324
Other comprehensive loss for the period - Cumulative translation adjustment	-	-	-	(38,075)	-	(38,075)
Loss for the period	-	-	-	-	(140,582)	(140,582)
Balance - September 30, 2014	**83,925,833**	**$ 8,783,198**	**$ 4,620,151**	**$ 293,830**	**$ (13,583,888)**	**$ 113,291**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

(expressed in US dollars)

1 Nature of operations and going concern

Nature of operations

Med BioGene Inc. (the "Company"), incorporated on April 28, 2006 under the Laws of British Columbia, is based in Vancouver, British Columbia. The Company's head office and registered office address is 598 East Kent Avenue South, Vancouver, BC, V5X 4V6. The Company is listed on the TSX Venture Exchange under the symbol "MBI".

The Company is a life science company focused on the development and commercialization of genomic-based clinical laboratory diagnostic tests for cancer. The Company's first test under development is GeneFx Lung (formerly known as LungExpress Dx), a test for early-stage non-small-cell lung cancer that improves upon staging for identifying those patients who, following surgical removal of their tumor, are at a higher and lower risk of mortality to assist in selecting patients who may benefit from adjuvant chemotherapy. The Company is considered to be in the development stage as all of its efforts have been devoted to research and development, raising capital, recruitment of personnel and long-term planning to commercialize the Company's products. The Company has not generated income from operations and depends on equity financing to support its operations.

On April 15, 2011, the Company closed a commercialization, license and research reimbursement agreement (as amended, the "Commercialization Agreement") with Precision Therapeutics, Inc. ("Precision"). The agreement provides Precision with the exclusive global rights to develop and commercialize GeneFx Lung. Under the terms of the Commercialization Agreement, Precision paid to the Company, within 120 days of closing, license fees and research cost reimbursements aggregating $2,292,589 (received during the year ended December 31, 2011), half of which is creditable against future royalties that may be owed to the Company by Precision. In addition, the Company is eligible to receive from Precision up to $1.0 million in the following milestone payments, all of which are creditable against future royalties that may be owed to the Company by Precision: following the commercial launch of GeneFx Lung, amounts totalling $500,000 and, following the achievement of $5 million in net revenues from GeneFx Lung, amounts totaling $500,000. The Company will receive royalty payments based on a percentage in the high single digits of Precision's future net revenues associated with the commercialization of GeneFx Lung or any other products incorporating the Company's technology. Precision is responsible for all future costs associated with the development and commercialization of GeneFx Lung and the Company is obligated to pay to the University Health Network ("UHN") royalties of a percentage in the high teens of the actual amounts received by the Company pursuant to the sublicensing of technology licensed by the Company from UHN (paid $222,816 during the year ended December 31, 2011). Following the closing of the Commercialization Agreement, the Company moved from a development-stage, research and development-oriented organization, to one that is focused on managing the license and rights to GeneFx Lung granted to Precision under the Commercialization Agreement.

To date, the Company has financed its cash requirements primarily from share issuances. The Company's ability to realize the carrying value of its assets is dependent on successfully bringing its technologies to market and achieving future profitable operations, the outcome of which cannot be predicted at this time. If and until the Company can generate licensing revenues sufficient to finance its cash requirements, it will need to raise additional funds from debt or equity financing.

(expressed in US dollars)

Going concern

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. As discussed further below, there are material uncertainties that cast significant doubt on the validity of this assumption.

As at and for the period ended September 30, 2014, the Company had negative operating cash flows of $186,212 and accumulated losses of $13,583,888 (December 31, 2013 - $13,443,306) since its inception and expects to incur further losses in the development of its business. During the year ended December 31, 2011, under the terms of the Commercialization Agreement, Precision paid to the Company license fees and research reimbursement totaling $2,292,589. Such amount paid by Precision to the Company, not including research reimbursements allocated to such amount totaling over $1 million, is subject to the Company's obligation to pay to UHN royalties of a percentage in the high teens pursuant to the sublicensing of technology licensed by the Company from UHN (paid $222,816 during the year ended December 31, 2011).

Management has assessed the Company's ability to continue as a going concern. In order for the Company to maintain operations following the closing of the Commercialization Agreement, the Company will need to retain enough cash resources to allow it to maintain operations until expected licensing revenue from GeneFx Lung will be greater than the Company's operational costs. The Company cannot, with certainty, estimate or know the timing and extent of receipt of licensing revenues from GeneFx Lung or the exact cash resources required by the Company to maintain operations until sufficient licensing revenues are received by the Company, if at all. Until the Company can generate licensing revenues sufficient to finance its cash requirements, if at all, it will need to raise additional external funds through the sale of equity or debt securities or the merger or sale of the Company. The sale of such additional equity and debt securities may result in substantial dilution to the Company's shareholders or may not be available, if at all, in amounts or on terms acceptable to the Company. If additional capital is required and not obtained, the Company will be forced to cease operations.

If the going concern assumption is not appropriate, it may be necessary to adjust the carrying values of assets and liabilities, and the reported net losses and statement of net asset classifications used. Such adjustments could be material.

2 Summary of accounting policies

Basis of preparation

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These unaudited condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with IFRS as issued by the IASB and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of September 30, 2014.

(expressed in US dollars)

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary DTX Acquisition Company Inc. (incorporated in Alberta). All material intercompany transactions and balances have been eliminated upon consolidation.

Reporting currency and foreign currency translation

The condensed consolidated interim financial statements of the Company are based on a Canadian dollar functional currency and have been translated into the US dollar reporting currency using the following method: assets and liabilities using the rate of exchange prevailing at the financial position date; shareholders' equity using the applicable historical rate; and revenue and expenses at the average rate of exchange for the respective periods. Translation gains and losses have been included as part of the cumulative translation adjustment, which is reported as a component of accumulated other comprehensive income. The Company uses the US dollar reporting currency due to its relations with the USA.

The Company translates non-Canadian dollar balances for operations into the functional currency as follows:

(i) property and equipment using historical rates;

(ii) other assets and liabilities using closing rates with translation gains and losses recorded in other income/expense; and

(iii) income and expenses using average exchange rates, except for expenses that relate to non-monetary assets and liabilities measured at historical rates, which are translated using the same historical rate as associated non-monetary assets and liability.

Exchange gains and losses arising on translation are included in the condensed consolidated interim statement of comprehensive loss under other comprehensive income (loss). The other comprehensive loss for the period ended September 30, 2014 was $38,075 (2013 - $6,127).

Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(expressed in US dollars)

Use of estimates and judgments (continued)

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Share-based compensation
The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are, but are not limited to, the following:

Determination of functional currency
In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiary is the Canadian dollar.

Going Concern
The determination that the Company will continue as going concern for the next year.

Significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual audited consolidated financial statements as at December 31, 2013. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2013.

Accounting standards issued but not yet applied

New accounting standards and interpretation

Accounting Standards Issued and Effective January 1, 2014 include amendments to IAS 32, *Financial Instruments: Presentation*, provides for amendments relating to offsetting financial assets and financial liabilities. The Company has adopted this policy and it does not have significant effect on the condensed consolidated interim financial statements.

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed consolidated interim financial statements.

(expressed in US dollars)

Accounting standards issued but not yet applied (continued)

Accounting Standards Issued with the effective date to be finalized:

IFRS 10, *Consolidated Financial Statements* - In September 2014, amendments to IFRS 10 were issued to provide guidance on recognising gains and losses from the loss in control of a subsidiary in the parent's profit or loss.

IFRS 9, *Financial Instruments* - IFRS 9 replaces the current standard IAS 39, *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

3 Capital disclosure

The Company considers share capital, warrants and equity reserves as capital. The Company's objectives when managing its capital structure are to provide sufficient capital to advance the commercialization of its products, meet the Company's obligations as they come due, and provide for the potential acquisition of additional intellectual property rights related to products within the Company's strategic plans.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company monitors its capital structure and may make adjustments to it in light of changes in the Company's operating performance, changes in economic conditions and the risk characteristics of the underlying assets. When adjustments to the capital structure are considered appropriate, such changes may include the issuance of new shares, issuance of new debt, or re-purchasing of shares for cancellation.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended September 30, 2014. The method used by the Company to manage its capital has been the issuance of new share capital. Management does not foresee any changes to this in 2014, however this cannot be assured (see Note 1 - Going concern).

4 Financial instruments and financial risk management

The Company is exposed to certain financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. At present, the Company invests its excess cash in guaranteed certificates from Canadian chartered banks and will only consider investment of excess cash in highly rated government and corporate debt securities. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash.

These guidelines are periodically reviewed by the Company's audit committee and modified to reflect changes in market conditions.

(expressed in US dollars)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves the Company's annual operating and capital budgets as well as any material transactions outside the ordinary course of business. Management regularly reviews these budgets and maintains short-term cash flow forecasts. At September 30, 2014, the Company's current liabilities including accounts payable, accrued liabilities and due to related parties were $71,053 (December 31, 2013 - $71,231). Further information relating to liquidity risk is set out in Note 1 - Going concern.

Market risk

Market risk is the risk that changes in foreign exchange rates, interest rates and equity prices will affect the Company's future cash flows or valuation of its financial instruments. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily expenses for consulting, research and development work incurred in US dollars. The Company believes that the results of operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its US dollar denominated obligations. The Company does not currently view its exposure to US dollars as a significant risk due to the limited volume of transactions it conducts in this currency.

The Company is subject to interest rate risk on its cash and believes that its results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short-term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

As at September 30, 2014, the Company had cash of $179,153 (December 31, 2013 - $181,507). The Company does not invest in equity instruments of other corporations.

Changes in the Company's equity price could impact its ability to raise additional capital.

Fair value hierarchy

Financial instruments recognized at fair value on the condensed consolidated interim statements of financial position must be classified into one of the three following fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset and liability;

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

(expressed in US dollars)

Fair value hierarchy (continued)

The Company's financial instrument carrying amounts and fair values by levels per the fair value hierarchy are as follows:

	Fair Value Level	September 30, 2014	December 31, 2013
Financial assets			
Cash	1	$ 179,153	$ 181,507

There are no financial instruments classified at Level 2 or Level 3 in the fair value hierarchy as at September 30, 2014 and December 31, 2013.

5 Receivables

Receivables consist of the following:

	September 30, 2014	December 31, 2013
GST receivable	$ 1,891	$ 2,074
Legal fees receivable (Note 9)	-	274
	$ 1,891	$ 2,348

6 Capital stock

a) Common shares

Authorized

Unlimited number of voting common shares, without par value.

On September 29, 2014, the Company issued 4,000,000 units at CAD $0.05 per unit for gross proceeds of $179,324 (CAD $200,000) (the "Units"). Each Unit consists of one common share and one common share purchase warrant. Each whole common share purchase warrant will entitle the holder to purchase one common share at a price of $0.10 for a period of 24 months. The securities issued pursuant to the private placement are subject to a four-month hold period from the date of closing.

During the year ended December 31, 2013, the Company issued 2,318,000 common shares for proceeds of $225,792 (CAD $231,800) pursuant to the exercise of warrants.

(expressed in US dollars)

b) Stock options

On February 13, 2006, the Board of Directors of the Company adopted the Med BioGene Inc. 2006 Incentive Stock Option Plan (the "Plan"). At the annual and special meeting of the Company held on December 30, 2008, the shareholders approved the amendment of the Plan to increase the number of common shares in respect of which stock options may be granted thereunder to 8,250,000. At the annual and special meeting of the Company held on February 12, 2010, the shareholders of the Company approved the amendment to the Plan to increase the number of common shares in respect of which stock options may be granted thereunder to 14,474,000.

Stock options may be exercisable for a period of up to five years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors.

As at September 30, 2014, the following options were issued and outstanding:

Number of options	Exercise price	Expiry date
250,000	0.11	March 18, 2015
6,950,000	0.09	June 29, 2016
3,050,000	0.11	September 19, 2018
10,250,000		

As at September 30, 2014, the weighted average remaining contractual life of outstanding options is 2.11 years.

The exercise prices of all stock options are denominated in Canadian dollars and are translated to US dollars at the September 30, 2014 exchange rate.

A summary of changes to stock options outstanding is as follows:

	Options	**Weighted average exercise price**
Outstanding - December 31, 2012	9,900,000	$ 0.11
Granted	3,050,000	0.12
Expired/cancelled	(800,000)	0.16
Outstanding - December 31, 2013	12,150,000	$ 0.10
Expired	(1,900,000)	0.09
Outstanding and exercisable - September 30, 2014	10,250,000	$ 0.10

(expressed in US dollars)

c) Warrants

As at September 30, 2014, the following warrants were outstanding:

	Number of warrants	Weighted average exercise warrants	
Balance - December 31, 2012	2,318,000	$	0.10
Exercised	(2,318,000)		0.10
Balance - December 31, 2013	-		
Issued (Note 6(a))	4,000,000		0.09
Balance -September 30, 2014	4,000,000	$	0.09

As at September 30, 2014, the weighted average remaining contractual life of outstanding warrants is 2.00 years.

The exercise prices of all share purchase warrants are denominated in Canadian dollars and are translated to US dollars at the September 30, 2014 exchange rate.

The weighted average trading price at the date the warrants were exercised during the year ended December 31, 2013 was $0.15.

7 Related party transactions

During the period ended September 30, 2014, the Company:

(i) paid or accrued $76,111 (2013 - $91,610) for consulting fees to a company owned by a former director and officer of the Company;

(ii) paid or accrued $24,618 (2013 - $27,361) for accounting fees to a firm where a former officer of the Company is partner;

(iii) paid or accrued $nil (2013 - $13,368) for legal fees to a law firm where a former director is a former partner of which such fees were reimbursed from Precision (Note 9);

(iv) paid or accrued $27,957 (2013 - $31,734) for directors' fees to three former directors of the Company; and

(v) paid or accrued $nil (2013 - $4,886) for consulting fees to a former director of the Company.

Related party transactions are reflected as part of general and administrative expense. Amounts owing to these related parties (former management and directors of the Company) as at September 30, 2014 were $8,085 (December 31, 2013 - $9,762).

(expressed in US dollars)

8 Supplemental disclosure with respect to cash flows

There were no significant non-cash transactions for the periods ended September 30, 2014 and 2013.

9 Contingencies and commitments

On April 14, 2008, the Company entered into development agreements with UHN to provide the Company with exclusive world-wide rights to commercialize a prognostic test for early-stage non-small-cell lung cancer developed by UHN.

Effective February 24, 2009, the Company expanded its development agreement with UHN. The agreement expands the intellectual property licensed to the Company and amends the terms of the research collaboration between UHN and the Company. Under these agreements, the Company and UHN are collaborating in certain activities related to the development and validation of GeneFx Lung and associated data analysis and in the collection of patient specimens to be used in such activities. The research and development expense for this project incurred since inception is approximately $718,237. The Company is obligated to provide UHN with up to $878,663 in further milestone and development payments, along with royalties based on future net sales of the tests. Approximately 90% of the above contractual obligations to UHN are related to the launch and commercialization of GeneFx Lung, and if the Company is unsuccessful in its commercialization efforts, these amounts may never become obligations of the Company. On April 15, 2011, the Company closed the Commercialization Agreement with Precision. Precision is responsible for all future costs associated with the development and commercialization of GeneFx Lung and the Company is obligated to pay to UHN royalties of a percentage in the high teens of the actual amounts received by the Company pursuant to the sublicensing of technology licensed by the Company from UHN (see Note 1 - Nature of operations).

In February 2011, Signal Genetics, LLC and Respira Health LLC ("Signal and Respira") filed a lawsuit against the Company and Precision in the Supreme Court of the State of New York asserting twelve causes of action against the Company.

Precision has agreed to provide, and has been providing, to the Company financial support to, among other things, conduct such defense and to cover any settlement (in both cases, half of which is credited against future royalties that may be owed to the Company by Precision) or award of damages made against the Company (which would not be credited against such future royalties), subject in all cases to certain threshold limits. At September 30, 2014, there was $nil (December 31, 2013 - $274) in legal fees receivable from Precision.

During the year ended December 31, 2013, the Company and Precision entered into a settlement agreement with Signal and Respira for the dismissal all of Signal and Respira's remaining legal claims made against the Company and Precision in the Supreme Court of the State of New York.

In January 2014, the Company announced that, pursuant to the settlement agreement, Signal and Respira had dismissed and withdrawn with prejudice all of their legal claims. The terms of the settlement are confidential. As part of the Company and Precision's commercialization agreement, Precision was solely responsible for all financial obligations under the settlement agreement.