

**Med BioGene Inc.**

Condensed Consolidated Interim Financial Statements  
**Three Months Ended March 31, 2018 and 2017**  
(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 condensed consolidated 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 Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

# Med BioGene Inc.

## Condensed Consolidated Interim Statements of Financial Position Prepared by Management

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(expressed in US dollars)

	<b>March 31, 2018 (Unaudited)</b>	<b>December 31, 2017 (Audited)</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,045	\$ 629
Receivables (Note 5)	896	747
Prepaid expenses	7,552	-
Total assets	<u>\$ 9,493</u>	<u>\$ 1,376</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 102,135	\$ 83,241
Due to related parties (Note 7)	7,202	7,403
Total liabilities	<u>109,337</u>	<u>90,644</u>
<b>DEFICIENCY</b>		
Common shares (Note 6)	8,966,497	8,966,497
Equity reserves (Note 6)	5,073,703	5,073,703
Deficit accumulated during the development stage	(14,437,704)	(14,424,467)
Accumulated other comprehensive income	297,660	294,999
Total deficiency	<u>(99,844)</u>	<u>(89,268)</u>
Total liabilities and deficiency	<u>\$ 9,493</u>	<u>\$ 1,376</u>
<b>Nature of operations and going concern (Note 1)</b>		
<b>Commitments (Note 9)</b>		

Approved by the Board of Directors on May 30, 2018

*"Dr. Iain Weir-Jones"*

Director

*"Dr. Terence Friedlander"*

Director

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

# Med BioGene Inc.

## Condensed Consolidated Interim Statements of Comprehensive Loss Unaudited – Prepared by Management

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(expressed in US dollars)

	Three months ended March 31,	
	2018	2017
<b>Expenses</b>		
General and administrative (Note 7)	\$ 13,237	\$ 276,024
<b>Loss for the period</b>	(13,237)	(276,024)
<b>Other comprehensive income (loss)</b>		
Items that can be reclassified subsequently to income:		
Cumulative translation adjustment	2,661	91
<b>Comprehensive loss for the period</b>	\$ (10,576)	\$ (275,933)
<b>Basic and diluted loss per share</b>	\$ (0.00)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>	8,757,835	8,757,835

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

# Med BioGene Inc.

## Condensed Consolidated Interim Statements of Cash Flows Unaudited – Prepared by Management

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(expressed in US dollars)

	<b>Three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from (used in) operating activities</b>		
Loss for the period	\$ (13,237)	\$ (276,024)
Items not affecting cash:		
Share-based compensation	-	257,946
	(13,237)	(18,078)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	18,894	5,562
Due to related parties	(201)	53
Receivables	(149)	160
Prepaid expenses	(7,552)	(12,500)
Net cash used in operating activities	(2,245)	(24,803)
Effect of exchange rate changes on cash	2,661	91
<b>Change in cash</b>	416	(24,712)
<b>Cash – beginning of period</b>	629	45,463
<b>Cash – end of period</b>	\$ 1,045	\$ 20,751

**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.

## Condensed Consolidated Interim Statements of Changes in Deficiency 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 (deficiency)
<b>Balance – December 31, 2016</b>	<b>8,757,835</b>	<b>\$ 8,966,497</b>	<b>\$ 4,815,757</b>	<b>\$ 298,379</b>	<b>\$ (14,085,403)</b>	<b>\$ (4,770)</b>
Share-based compensation		-	257,946	-	-	257,946
Other comprehensive income for the period - Cumulative translation adjustment	-	-	-	91	-	91
Loss for the period	-	-	-	-	(276,024)	(276,024)
<b>Balance – March 31, 2017</b>	<b>8,757,835</b>	<b>\$ 8,966,497</b>	<b>\$ 5,073,703</b>	<b>\$ 298,470</b>	<b>\$ (14,361,427)</b>	<b>\$ (22,757)</b>
<b>Balance - December 31, 2017</b>	<b>8,757,835</b>	<b>\$ 8,966,497</b>	<b>\$ 5,073,703</b>	<b>\$ 294,999</b>	<b>\$ (14,424,467)</b>	<b>\$ (89,268)</b>
Other comprehensive loss for the period - Cumulative translation adjustment	-	-	-	2,661	-	2,661
Loss for the period	-	-	-	-	(13,237)	(13,237)
<b>Balance – March 31, 2018</b>	<b>8,757,835</b>	<b>\$ 8,966,497</b>	<b>\$ 5,073,703</b>	<b>\$ 297,660</b>	<b>\$ (14,437,704)</b>	<b>\$ (99,844)</b>

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

# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2018 and 2017 (Unaudited – Prepared by Management)

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(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 (“TSX-V”) under the symbol “MBI”.

MBI is a life science company focused on commercializing the Signature and finding a licensee to it and for GeneFx® Lung, a prognostic genomic-based test for non-small-cell lung cancer (“NSCLC”) developed by Helomics™ and licensed to MBI under the Settlement Agreement.

On April 15, 2011, the Company closed a commercialization, license and research reimbursement agreement (as amended, the “Commercialization Agreement”) with Helomics (formerly “Precision Therapeutics Inc.”). The agreement provided Helomics with the exclusive global rights to develop and commercialize GeneFx® Lung. Under the terms of the Commercialization Agreement, Helomics 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 was creditable against future royalties that may have been owed to the Company by Helomics. In addition, the Company was eligible to receive from Helomics up to \$1.0 million in the following milestone payments, all of which was creditable against future royalties that may have been owed to the Company by Helomics: 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 totalling \$500,000. The Company was to receive royalty payments based on a percentage in the high single digits of Helomics’s future net revenues associated with the commercialization of GeneFx® Lung or any other products incorporating the Company’s technology. Helomics was responsible for all future costs associated with the development and commercialization of GeneFx® Lung and the Company was 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 was focused on managing the license and rights to GeneFx® Lung granted to Helomics under the Commercialization Agreement. On November 28, 2016, the Company and Helomics signed a settlement agreement which terminated this Commercialization Agreement dated April 15, 2011 (see Note 9).

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.

# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2018 and 2017 (Unaudited – Prepared by Management)

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(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 March 31, 2018, the Company had negative operating cash flows of \$2,245 and accumulated losses of \$14,437,704 (December 31, 2017 - \$14,424,467) 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, Helomics paid to the Company license fees and research reimbursements totaling \$2,292,589. Such amount paid by Helomics 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). On November 28, 2016, the Company and Helomics signed a settlement agreement which terminated this Commercialization Agreement dated April 15, 2011.

Management has assessed the Company’s ability to continue as a going concern. In order for the Company to maintain operations following the November 28, 2016 termination of the Commercialization Agreement, the Company will need to find another licensing partner for the GeneFx® Lung product. Upon securing such a licensing partner, 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 March 31, 2018.



# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2018 and 2017 (Unaudited – Prepared by Management)

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(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 income (loss) under other comprehensive income (loss). The other comprehensive income for the period ended March 31, 2018 was \$2,661 (2017 – \$91).

### **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.

# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2018 and 2017

(Unaudited – Prepared by Management)

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(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, 2017. 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, 2017.

# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2018 and 2017

(Unaudited – Prepared by Management)

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(expressed in US dollars)

### **New accounting standards adopted effective January 1, 2018**

*IFRS 15 Revenue from Contracts with Customers* – The Company adopted IFRS 15, “Revenue from Contracts and Customers” effective for January 1, 2018. The adoption of this standard did not have any impact on the Company’s condensed consolidated interim financial statements as the Company does not have any revenue.

*IFRS 9 Financial Instruments* – IFRS 9, “Financial Instruments: Classification and Measurement” is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. IFRS 9 replaces the provisions of IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”) that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cashflow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The application of IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company’s financial assets or liabilities on the date of transition.

### **Accounting standards issued but not yet applied**

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.

New accounting standards effective January 1, 2019:

*IFRS 16 Leases* – IFRS 16 replaces the current standard IAS 17 *Leases* and its associated interpretative guidance. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. A lessee can choose to apply IFRS 16 using either a full retrospective approach or a modified retrospective approach.

# Med BioGene Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
Three months ended March 31, 2018 and 2017  
(Unaudited – Prepared by Management)

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(expressed in US dollars)

### 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 March 31, 2018. 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 2018, however this cannot be assured (see Note 1 - Going concern).

# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2018 and 2017 (Unaudited – Prepared by Management)

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(expressed in US dollars)

### 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 holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. 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.

#### 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 March 31, 2018, the Company's current liabilities including accounts payable and due to related parties were \$109,337 (December 31, 2017 - \$90,644). 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 March 31, 2018, the Company had cash of \$1,045 (December 31, 2017 - \$629). 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.

# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2018 and 2017

(Unaudited – Prepared by Management)

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(expressed in US dollars)

### Fair value hierarchy

Financial instruments recognized at fair value on a recurring basis 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.

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

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	Fair Value Level	March 31, 2018	December 31, 2017
<b>Financial assets</b>			
Cash	1	\$ 1,045	\$ 629

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There are no financial instruments classified at Level 2 or Level 3 in the fair value hierarchy as at March 31, 2018 and December 31, 2017.

### 5 Receivables

Receivables consist of the following:

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	March 31, 2018	December 31, 2017
GST receivable	\$ 896	\$ 747

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# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2018 and 2017 (Unaudited – Prepared by Management)

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(expressed in US dollars)

### 6 Capital stock (continued)

#### a) Common shares

##### Authorized

Unlimited number of voting common shares, without par value.

On December 19, 2017, the Company effected a previously approved one-for-ten consolidation of all its issued and outstanding common shares. All share and per-share data presented in the Company's consolidated financial statements and notes have been retrospectively restated to reflect the share consolidation unless otherwise noted. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

The Company did not issue any common shares during the periods ended March 31, 2018 and 2017.

#### 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 825,000. 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 1,447,400.

At the annual general and special meeting of the company held on October 30, 2015, the shareholders approved and adopted a new stock option plan that the board of directors of the company approved and adopted on September 22, 2015. The number of common shares in respect of which stock options may be granted is 1,731,567.

Stock options may be exercisable for a period of up to 10 years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors.

As at March 31, 2018, the following options were issued and outstanding:

Number of options	Exercisable	Exercise price	Expiry date
140,000	140,000	CAD \$1.00	December 31, 2018
375,000	375,000	CAD \$0.50	November 19, 2025
775,000	775,000	CAD \$0.50	January 3, 2027
100,000	100,000	CAD \$0.50	February 17, 2027
1,390,000	1,390,000		

As at March 31, 2018, the weighted average remaining contractual life of outstanding options is 7.67 years.

The exercise prices of all stock options are denominated in Canadian dollars and are translated to US dollars at the March 31, 2018 exchange rate.

# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2018 and 2017 (Unaudited – Prepared by Management)

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(expressed in US dollars)

### 6 Capital stock (continued)

The Company had no stock options grants during the period ended March 31, 2018.

The Company granted the following options during the period ended March 31, 2017:

On January 3, 2017, the Company granted 775,000 stock options to directors and officers of the Company. The options vested immediately and are exercisable at CAD\$0.50 per common share until January 3, 2027.

On February 17, 2017, the Company granted 100,000 stock options to a director of the Company. The options vested immediately and are exercisable at CAD\$0.50 per common share until February 17, 2027.

The Company uses the Black-Scholes option pricing model to value stock options which requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The weighted average assumptions used for stock options granted were as follows:

	2017
Share price at grant date	\$0.40
Risk-free interest rate	1.87%
Estimated forfeiture rate	-
Expected dividend yield	-
Expected option life (years)	10.0
Expected stock price volatility	159%

The weighted average grant date fair value for the options granted during the period ended March 31, 2017 was \$0.40.

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

	Options	Weighted average exercise price
Outstanding – December 31, 2016	515,000	\$ 0.47
Granted	875,000	\$ 0.40
Outstanding – December 31, 2017 and March 31, 2018	1,390,000	\$ 0.44

During the period ended March 31, 2017, the Company granted 875,000 stock options with a fair value of \$257,946 which was expensed to operations.



# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2018 and 2017 (Unaudited – Prepared by Management)

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(expressed in US dollars)

### 6 Capital stock (continued)

#### c) Warrants

As at March 31, 2018, the following warrants were outstanding:

	Number of warrants	Weighted average exercise warrants
Balance – December 31, 2016 and 2017 and March 31, 2018	100,000	\$ 0.50

As at March 31, 2018, the weighted average remaining contractual life of outstanding warrants is 3.12 years.

The exercise prices of all share purchase warrants are denominated in Canadian dollars and are translated to US dollars at the March 31, 2018 exchange rate.

### 7 Related party transactions and balances

During the period ended March 31, 2018, the Company:

- (i) Incurred \$2,372 (2017 - \$2,268) for accounting fees to an officer of the Company; and
- (ii) Incurred \$Nil (2017 - \$4,838) for accounting fees to a firm where a director of the Company is a partner;

Related party transactions are reflected as part of general and administrative expense. Amounts owing to these related parties (including former management and directors of the Company) as at March 31, 2018 were \$7,202 (December 31, 2017 - \$7,403). These amounts are non-interest bearing and due on demand.

The share-based payments to directors and other key management personnel during the period ended March 31, 2018 was \$Nil (March 31, 2017 - \$257,946). Share-based payments are the fair value of the options granted to directors and other key management personnel. Key management personnel include the Chief Executive Officer, Chief Financial Officer, and directors of the Company.

### 8 Supplemental disclosure with respect to cash flows

There were no significant non-cash transactions during the periods ended March 31, 2018 and 2017.

# Med BioGene Inc.

## Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2018 and 2017 (Unaudited – Prepared by Management)

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(expressed in US dollars)

### 9 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 Helomics. Helomics 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).

On November 28, 2016, the Company and Helomics signed a settlement agreement which terminated the Commercialization Agreement dated April 15, 2011. Helomics paid a lumpsum amount to the Company as a part of the settlement agreement which has been included as other income in the statement of comprehensive income for the year ended December 31, 2016.