

**Med BioGene Inc.**

(a development stage company)

Condensed Consolidated Interim Financial Statements

**Three Months Ended March 31, 2015 and 2014**

(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.

(a development stage company)

## Condensed Consolidated Interim Statements of Financial Position

Prepared by Management

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(expressed in US dollars)

	<b>March 31, 2015 (Unaudited)</b>	<b>December 31, 2014 (Audited)</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 95,219	\$ 144,306
Receivables (Note 5)	5,784	6,494
Prepaid expenses	8,901	-
Total assets	<u>\$ 109,904</u>	<u>\$ 150,800</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 54,910	\$ 62,380
Due to related parties (Note 7)	7,149	126,717
Total liabilities	<u>62,059</u>	<u>189,097</u>
<b>EQUITY (DEFICIENCY)</b>		
Common shares (Note 6)	8,932,204	8,783,198
Equity reserves (Note 6)	4,620,151	4,620,151
Deficit accumulated during the development stage	(13,799,724)	(13,734,747)
Accumulated other comprehensive income	295,214	293,101
Total equity (deficiency)	<u>47,845</u>	<u>(38,297)</u>
Total liabilities and equity	<u>\$ 109,904</u>	<u>\$ 150,800</u>

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 9)

**Subsequent event** (Note 10)

**Approved by the Board of Directors on May 29, 2015**

*“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.

(a development stage company)

Condensed Consolidated Interim Statements of Comprehensive Loss

Unaudited – Prepared by Management

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(expressed in US dollars)

	Three months ended March 31,	
	2015	2014
<b>Expenses</b>		
General and administrative (Note 7)	\$ 22,235	\$ 72,821
<b>Other expenses</b>		
Loss on settlement of debt	42,742	-
<b>Loss for the period</b>	(64,977)	(72,821)
<b>Other comprehensive income</b>	2,113	1,039
<b>Comprehensive loss for the period</b>	\$ (62,864)	\$ (71,782)
<b>Basic and diluted loss per share</b>	\$ 0.00	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	85,045,786	79,925,833

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

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(expressed in US dollars)

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from (used in) operating activities</b>		
Loss for the period	\$ (64,977)	\$ (72,821)
Items not affecting cash:		
Foreign exchange	2,113	(1,039)
Loss on settlement of debt	42,742	-
	<u>(20,122)</u>	<u>(73,860)</u>
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities and due to related parties	(20,774)	32,222
Receivables	710	(2,506)
Prepaid expenses	(8,901)	(10,032)
	<u>(49,087)</u>	<u>(52,098)</u>
Net cash used in operating activities		
	<u>(49,087)</u>	<u>(52,098)</u>
<b>Change in cash</b>	<b>(49,087)</b>	<b>(52,098)</b>
<b>Cash – beginning of period</b>	<b>144,306</b>	<b>181,507</b>
<b>Cash – end of period</b>	<b>\$ 95,219</b>	<b>\$ 129,409</b>

**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 (deficiency)
<b>Balance - December 31, 2013</b>	<b>79,925,833</b>	<b>\$ 8,603,874</b>	<b>\$ 4,620,151</b>	<b>\$ 331,905</b>	<b>\$ (13,443,306)</b>	<b>\$ 112,624</b>
Other comprehensive income for the period -						
Cumulative translation adjustment	-	-	-	1,039	-	1,039
Loss for the period	-	-	-	-	(72,821)	(72,821)
<b>Balance – March 31, 2014</b>	<b>79,925,833</b>	<b>\$ 8,603,874</b>	<b>\$ 4,620,151</b>	<b>\$ 332,944</b>	<b>\$ (13,516,127)</b>	<b>\$ 40,842</b>
<b>Balance – December 31, 2014</b>	<b>83,925,833</b>	<b>\$ 8,783,198</b>	<b>\$ 4,620,151</b>	<b>\$ 293,101</b>	<b>\$ (13,734,747)</b>	<b>\$ (38,297)</b>
Settlement of debt	2,652,520	149,006	-	-	-	149,006
Other comprehensive income for the period -						
Cumulative translation adjustment	-	-	-	2,113	-	2,113
Loss for the period	-	-	-	-	(64,977)	(64,977)
<b>Balance – March 31, 2015</b>	<b>86,578,353</b>	<b>\$ 8,932,204</b>	<b>\$ 4,620,151</b>	<b>\$ 295,214</b>	<b>\$ (13,799,724)</b>	<b>\$ 47,845</b>

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

# Med BioGene Inc.

(a development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(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”.

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 Helomics (formerly “Precision Therapeutics Inc.”). . The agreement provides 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 is creditable against future royalties that may be owed to the Company by Helomics. In addition, the Company is eligible to receive from Helomics 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 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 totaling \$500,000. The Company will 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 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 Helomics 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.

# Med BioGene Inc.

(a development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(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, 2015, the Company had negative operating cash flows of \$49,087 and accumulated losses of \$13,799,724 (December 31, 2014 - \$13,734,747) 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 reimbursement 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).

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 March 31, 2015.



# Med BioGene Inc.

(a development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(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 loss under other comprehensive income (loss). The other comprehensive income for the period ended March 31, 2015 was \$2,113 (2014 - \$1,039).

## **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.

(a development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(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, 2014. 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, 2014.

## **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.

# Med BioGene Inc.

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited – Prepared by Management)

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(expressed in US dollars)

## **Accounting standards issued but not yet applied** (continued)

Accounting Standards Issued with the effective date to be finalized:

IAS 1, *Presentation of Financial Statements* – In December 2014, the IAS issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IFRS 11, *Joint Arrangements* – In May 2014, the IASB issued an amendment to clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

IFRS 15, *Revenue from Contracts with Customers* – IFRS 15 was issued in May 2014 and specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

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 March 31, 2015. 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 2015, however this cannot be assured (see Note 1 - Going concern).

# Med BioGene Inc.

(a development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(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, 2015, the Company's current liabilities including accounts payable, accrued liabilities and due to related parties were \$62,059 (December 31, 2014 - \$189,097). 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, 2015, the Company had cash of \$95,219 (December 31, 2014 - \$144,306). 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.

(a development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(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, 2015	December 31, 2014
<b>Financial assets</b>			
Cash	1	\$ 95,219	\$ 144,306

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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, 2015 and December 31, 2014.

## 5 Receivables

Receivables consist of the following:

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	March 31, 2015	December 31, 2014
GST receivable	\$ 5,784	\$ 6,494

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# Med BioGene Inc.

(a development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited – Prepared by Management)

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(expressed in US dollars)

## 6 Capital stock

### a) Common shares

#### Authorized

Unlimited number of voting common shares, without par value.

On January 13, 2015, the Company entered into a debt settlement agreement with the Chief Executive Officer (“CEO”) and agreed to issue 2,652,520 common shares of the Company at a deemed price of \$0.04 (CAD\$0.05) per share, to settle payables of CAD\$132,626 that were owed to the CEO at December 31, 2014 (see also Note 7(v)). The common shares were issued February 21, 2015. The fair value of the common shares was CAD\$185,676 (US\$149,006) on February 21, 2015 when the shares were issued and as a result, a loss on settlement of debt of CAD\$53,050 (US\$42,742) was recorded during the period.

During the year ended December 31, 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.

### 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 March 31, 2015, the following options were issued and outstanding:

Number of options	Exercise price	Expiry date
250,000	0.08	June 29, 2016
<u>75,000</u>	0.10	September 19, 2018
325,000		

As at March 31, 2015, the weighted average remaining contractual life of outstanding options is 1.76 years.

The exercise prices of all stock options are denominated in Canadian dollars and are translated to US dollars at the March 31, 2015 exchange rate.

# Med BioGene Inc.

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Three months ended March 31, 2015

(Unaudited – Prepared by Management)

(expressed in US dollars)

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

	<b>Options</b>	<b>Weighted average exercise price</b>
Outstanding - December 31, 2013	12,150,000	\$ 0.09
Expired	(1,900,000)	0.08
Forfeited	<u>(9,675,000)</u>	0.09
Outstanding - December 31, 2014	575,000	\$ 0.09
Expired	<u>(250,000)</u>	0.10
Outstanding and exercisable – March 31, 2015	325,000	\$ 0.08

## c) Warrants

As at March 31, 2015, the following warrants were outstanding:

	<b>Number of warrants</b>	<b>Weighted average exercise warrants</b>
Balance - December 31, 2013	-	\$ -
Issued (Note 6(a))	<u>4,000,000</u>	\$ 0.08
Balance - December 31, 2014 and March 31, 2015	4,000,000	\$ 0.08

As at March 31, 2015, the weighted average remaining contractual life of outstanding warrants is 1.50 years.

The exercise prices of all share purchase warrants are denominated in Canadian dollars and are translated to US dollars at the March 31, 2015 exchange rate.

# Med BioGene Inc.

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited – Prepared by Management)

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(expressed in US dollars)

## 7 Related party transactions and balances

During the period ended March 31, 2015, the Company:

- (i) paid or accrued \$nil (2014 - \$28,321) for consulting fees to a company owned by a former director and officer of the Company;
- (ii) paid or accrued \$nil (2014 - \$8,156) for accounting fees to a firm where a former officer of the Company is partner;
- (iii) paid or accrued \$nil (2014 - \$10,500) for directors' fees to three former directors of the Company;
- (iv) paid or accrued \$5,036 (2014 - \$nil) and \$2,417 (2014 - \$nil) for accounting fees to a firm where a director of the Company is a partner and to an officer of the Company respectively; and
- (v) Entered into a debt settlement agreement with the Chief Executive Officer ("CEO") and issued 2,652,520 common shares of the Company at a deemed price of \$0.04 (CAD\$0.05) per share, to settle payables of CAD\$132,626 that were owed to the CEO at December 31, 2014 (see also Note 6(a)).

Related party transactions are reflected as part of general and administrative expense. Amounts owing to former related parties (former management and directors of the Company) as at March 31, 2015 was \$7,149. Amounts owing to related parties (including former management and directors of the Company) as at December 31, 2014 was \$126,717.

## 8 Supplemental disclosure with respect to cash flows

During the period ended March 31, 2015, the Company issued 2,652,520 common shares to settle debt of CAD\$132,626 due to the CEO of the Company (see also Note 7(v)).

There were no significant non-cash transactions for the period ended March 31, 2014.



# Med BioGene Inc.

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(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).

## 10 Subsequent event

On May 20, 2015, the Company announced that subject to regulatory approval, it has engaged Rick Peterson of Capital to provide investor relations and business advisory services to the Company. The Company will pay Mr. Peterson through his holding company, Peterson Capital, \$5,000 per month for a period of up to six months and will issue 300,000 stock options to Mr. Peterson at an exercise price of \$0.10 which will vest in four equal tranches over the next twelve months.

The Company also announced that it has granted 1.4 million stock options to Directors and Senior Officers. All options will be immediately exercisable at an exercise price of \$0.10 and will expire on December 31, 2018.