

Interim Consolidated Financial Statements of  
(In thousands of Canadian dollars)

## **THERATECHNOLOGIES INC.**

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

# THE RATECHNOLOGIES INC.

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(Unaudited)

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# THE RATECHNOLOGIES INC.

Interim Consolidated Statements of Financial Position  
(In thousands of Canadian dollars)

As at February 28, 2017 and November 30, 2016  
(Unaudited)

	Note	February 28, 2017	November 30, 2016
<b>Assets</b>			
Current assets:			
Cash		\$ 7,261	\$ 1,059
Bonds and money market funds		17,647	6,644
Trade and other receivables		6,051	6,710
Inventories	5	11,510	12,265
Prepaid expenses		1,141	1,129
Derivative financial assets		911	615
<b>Total current assets</b>		<b>44,521</b>	<b>28,422</b>
Non-current assets:			
Bonds and money market funds		4,694	3,900
Property and equipment		83	47
Intangible assets		19,876	20,605
<b>Total non-current assets</b>		<b>24,653</b>	<b>24,552</b>
<b>Total assets</b>		<b>\$ 69,174</b>	<b>\$ 52,974</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 11,111	\$ 10,216
Provisions	6	650	453
Current portion of long-term obligation	7	5,033	4,665
Deferred revenue		55	99
<b>Total current liabilities</b>		<b>16,849</b>	<b>15,433</b>
Non-current liabilities:			
Long-term obligation	7	8,804	8,902
Warrant liability	8	3,657	1,748
<b>Total non-current liabilities</b>		<b>12,461</b>	<b>10,650</b>
<b>Total liabilities</b>		<b>29,310</b>	<b>26,083</b>
<b>Equity</b>			
Share capital	9	308,404	291,529
Contributed surplus		14,437	14,190
Deficit		(284,518)	(280,667)
Accumulated other comprehensive income		1,541	1,839
<b>Total equity</b>		<b>39,864</b>	<b>26,891</b>
Subsequent events	14		
<b>Total liabilities and equity</b>		<b>\$ 69,174</b>	<b>\$ 52,974</b>

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

# THE RATECHNOLOGIES INC.

Interim Consolidated Statements of Comprehensive Income (Loss)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

	Note	2017	2016
<b>Revenue:</b>			
Net sales		\$ 9,034	\$ 8,741
Royalties and licence fees		1	2
		9,035	8,743
<b>Operating expenses:</b>			
Cost of sales:			
Cost of goods sold		1,086	1,055
Other production-related costs (income)		178	(34)
Royalties		786	348
Research and development expenses		2,020	1,884
Selling and market development expenses	3	3,767	3,903
General and administrative expenses		1,234	1,083
		9,071	8,239
<b>(Loss) profit from operating activities</b>		(36)	504
Finance income	4	65	28
Finance costs	4	(2,272)	(685)
		(2,207)	(657)
<b>Net loss for the period</b>		(2,243)	(153)
<b>Other comprehensive (loss) income, net of tax:</b>			
Items that may be reclassified to profit (loss) in the future:			
Net change in fair value of available-for-sale financial assets, net of tax		7	(28)
Exchange differences on translation		(305)	273
		(298)	245
<b>Total comprehensive income (loss) for the period</b>		\$ (2,541)	\$ 92
Basic and diluted loss per share	9 (c)	\$ (0.03)	\$ -

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

# THE RATECHNOLOGIES INC.

Interim Consolidated Statements of Changes in Equity  
(In thousands of Canadian dollars)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

For the three-month period ended February 28, 2017							
	Note	Share capital		Contributed surplus	Accumulated other comprehensive income		Total
		Number of shares	Amount		Deficit	income	
			\$	\$	\$	\$	\$
<b>Balance as at November 30, 2016</b>		65,996,069	291,529	14,190	(280,667)	1,839	26,891
Total comprehensive income for the period							
Net loss for the period		-	-	-	(2,243)	-	(2,243)
Other comprehensive (loss) income:							
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	7	7
Exchange differences on translation		-	-	-	-	(305)	(305)
<b>Total comprehensive income for the period</b>		-	-	-	(2,243)	(298)	(2,541)
<b>Transactions with owners, recorded directly in equity</b>							
Issue of common shares	9 (a)	5,323,000	16,501	-	-	-	16,501
Issue of broker options	9 (a)	-	-	183	-	-	183
Share issue costs	9 (a)	-	-	-	(1,608)	-	(1,608)
Exercise of broker warrants	9 (a)	124,000	360	(62)	-	-	298
Share based compensation plan:							
Share based compensation for stock option plan		-	-	132	-	-	132
Exercise of stock option:							
Monetary consideration		7,834	8	-	-	-	8
Attributed value		-	6	(6)	-	-	-
<b>Total contributions by owners</b>		<b>5,454,834</b>	<b>16,875</b>	<b>247</b>	<b>(1,608)</b>	<b>-</b>	<b>15,514</b>
<b>Balance as at February 28, 2017</b>		<b>71,450,903</b>	<b>308,404</b>	<b>14,437</b>	<b>(284,518)</b>	<b>1,541</b>	<b>39,864</b>

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

# THE RATECHNOLOGIES INC.

Interim Consolidated Statements of Changes in Equity (continued)  
(In thousands of Canadian dollars)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

For the three-month period ended February 29, 2016						
	Share capital		Contributed surplus	Accumulated other comprehensive income		Total
	Number of shares	Amount		Deficit	income	
		\$	\$	\$	\$	\$
<b>Balance as at November 30, 2015</b>	65,615,603	290,994	8,581	(281,077)	1,526	20,024
<b>Total comprehensive income for the period</b>						
Net loss for the period	-	-	-	(153)	-	(153)
Other comprehensive (loss) income:						
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(28)	(28)
Exchange differences on translation	-	-	-	-	273	273
<b>Total comprehensive income for the period</b>	-	-	-	(153)	245	92
<b>Transactions with owners, recorded directly in equity</b>						
Share-based compensation for stock option plan	-	-	70	-	-	70
<b>Total contributions by owners</b>	-	-	70	-	-	70
<b>Balance as at February 29, 2016</b>	65,615,603	290,994	8,651	(281,230)	1,771	20,186

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

# THE RATECHNOLOGIES INC.

Interim Consolidated Statements of Cash Flows  
(In thousands of Canadian dollars)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

	Note	2017	2016
<b>Cash provided from (used in):</b>			
<b>Operating:</b>			
Net loss		\$ (2,243)	\$ (153)
Adjustments for:			
Depreciation of property and equipment		5	3
Amortization of intangible assets		499	525
Change in deferred revenue		(43)	(1)
Share-based compensation for stock option plan		132	70
Write-down of inventories	5	125	-
Change in fair value of derivative financial assets		(297)	26
Change in fair value of liability related to deferred stock unit plan		294	(26)
Change in fair value of warrant liability and exchange loss		1,909	-
Interest income		(65)	(28)
Interest (paid) received		21	(25)
Effect of change of foreign exchange		(58)	72
Accretion expense		418	594
		697	1,057
Changes in operating assets and liabilities:			
Trade and other receivables		584	(1,256)
Inventories		492	813
Prepaid expenses		(24)	(30)
Accounts payable and accrued liabilities		610	(353)
Provisions		201	158
		1,863	(668)
Cash flows from operating activities		2,560	389
<b>Financing:</b>			
Proceeds from issue of common shares	9 (a)	16,501	-
Share issue costs	9 (a)	(1,383)	(25)
Proceeds from exercise of stock options		8	-
Proceeds from exercise of broker warrants	9 (a)	298	-
Cash flows from (used in) financing activities		15,424	(25)
<b>Investing:</b>			
Acquisition of bonds and money market funds		(15,659)	(4,463)
Proceeds from sale of bonds and money market funds		3,890	-
Acquisition of property and equipment		-	(6)
Proceeds from disposal of derivative financial assets		-	4
Cash flows used in investing activities		(11,769)	(4,465)
Net change in cash		6,215	(4,101)
Cash, beginning of period		1,059	15,350
Effect of foreign exchange on cash		(13)	67
Cash, end of period		\$ 7,261	\$ 11,316

Supplemental cash flow information, see Note 10.

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

# Theratechnologies Inc.

Notes to Interim Consolidated Financial Statements  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

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Theratechnologies Inc. is a specialty pharmaceutical company addressing unmet medical needs to promote healthy living and an improved quality of life among HIV patients.

The interim consolidated financial statements include the accounts of Theratechnologies Inc. and its wholly-owned subsidiaries (collectively, the "Company").

Theratechnologies Inc. is governed by the *Business Corporations Act* (Québec) and is domiciled in Québec, Canada. The Company is located at 2015 Peel Street, 5th floor, Montréal, Québec H3A 1T8.

## 1. Basis of preparation:

### (a) Accounting framework:

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

Certain information, in particular the accompanying notes normally included in the annual consolidated financial statements prepared in accordance with IFRS, has been omitted or condensed. These interim financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the annual consolidated financial statements for the year ended November 30, 2016 and the notes thereto. These interim financial statements have not been reviewed by the Company's auditors.

These interim financial statements have been authorized for issue by the Company's Audit Committee on April 5, 2017.

### (b) Summary of accounting policies:

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual consolidated financial statements as at November 30, 2016.

### (c) Basis of measurement:

The Company's interim financial statements have been prepared on a going concern and historical cost basis, except for available-for-sale financial assets, derivative financial assets, liabilities related to the deferred stock unit plan and derivative financial liabilities, which are measured at fair value.



# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

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## 1. Basis of preparation (continued)

### (d) Use of estimates and judgments:

The preparation of the Company's interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Information about critical judgments in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the interim financial statements are disclosed in Note 1 of the annual consolidated financial statements as at November 30, 2016.

### (e) Functional and presentation currency:

The Company's functional currency is the United States dollar ("USD").

These consolidated financial statements are presented in Canadian dollars ("CAD") since management believes that this currency is more useful for the users of the consolidated financial statements. The exchange difference resulting from the translation is included in "Accumulated other comprehensive income" presented in equity.

All financial information presented in CAD has been rounded to the nearest thousand.

## 2. Recent changes in accounting standards:

Amendments adopted

### *Amendments to IAS 1*

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The adoption of these amendments, which did not require any change to current accounting practices, had no impact on the Company's consolidated financial statements.

# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

## 3. Selling and market development expenses:

	2017	2016
	\$	\$
Selling and market development expenses	3,268	3,378
Amortization of intangible assets	499	525
	3,767	3,903

## 4. Finance income and finance costs:

	2017	2016
	\$	\$
Interest income	65	28
Finance income	65	28
Accretion expense	(418)	(594)
Bank charges	(9)	(16)
Net foreign currency gain (loss)	70	(75)
Loss on financial instruments carried at fair value	(1,915)	-
Finance costs	(2,272)	(685)
Net finance cost recognized in net profit or loss	(2,207)	(657)

## 5. Inventories:

In 2017, the Company recorded an inventory write-down of \$125 related to work in progress due to losses incurred during the conversion of raw materials to finished goods. The provision was recorded in cost of sales as other production-related costs.

# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

## 6. Provisions:

	Chargebacks and rebates	Returns	Total
	\$	\$	\$
<b>Balance as at November 30, 2016</b>	433	20	453
Provisions made	1,020	21	1,041
Provisions used	(835)	(5)	(840)
Effect of changes in exchange rate	(4)	–	(4)
<b>Balance as at February 28, 2017</b>	<b>614</b>	<b>36</b>	<b>650</b>

## 7. Long-term obligation:

	February 28, 2017	November 30, 2016
	\$	\$
Early termination fee	13,837	13,567
Current portion	(5,033)	(4,665)
	<b>8,804</b>	<b>8,902</b>

Under the terms of the agreement terminating the collaboration and licensing agreement with EMD Serono, Inc. (the "EMD Serono Termination Agreement") entered into on May 1, 2014, the Company agreed to pay an early termination fee of US\$20,000 (the "Early Termination Fee"). In 2015, the Company restructured the amount and payment terms of the Early Termination Fee. Under the new terms, payments totalling US\$4,168 were paid in 2015 (previously US\$4,000). The remaining annual payments of US\$4,000 were unchanged and are due on May 1 of each year beginning on May 1, 2016 (paid) up to May 1, 2019, bringing the total Early Termination Fee to US\$20,168.

The obligation was initially recognized at fair value and is considered Level 3 in the fair value hierarchy for financial instruments. The valuation model considered the present value of expected payments, discounted using a risk-adjusted discount rate. The significant unobservable input used is the risk-adjusted discount rate of 13.5%.

# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

## 7. Long-term obligation (continued):

The movement in the long-term obligation for the period is as follows:

Balance as at November 30, 2016	\$ 13,567
Accretion expense	418
Effect of changes in exchange rate	(148)
Balance as at February 28, 2017	\$ 13,837

The long-term obligation of \$15,937 (US\$12,000) payable consists of the following as at February 28, 2017:

	Capital	Imputed interest	Total
	\$	\$	\$
Less than one year	3,633	1,679	5,312
Between one and five years	8,804	1,821	10,625
	12,437	3,500	15,937

## 8. Warrant liability:

	Number of warrants	Liability amount
		\$
Balance as at November 30, 2015	2,300,000	702
Change in fair value of warrant liability	–	1,025
Foreign currency loss	–	21
Balance as at November 30, 2016	2,300,000	1,748
Change in fair value of warrant liability	–	1,918
Foreign currency gain	–	(9)
Balance as at February 28, 2017	2,300,000	3,657

# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

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## 8. Warrant liability (continued):

The common share purchase warrants, which are exercisable at a price of \$3.00, expire in August 2017.

## 9. Share capital:

### (a) Public offerings:

On December 5, 2016, the Company completed a public offering for the sale and issuance of 5,323,000 common shares for a gross cash consideration of \$16,501. The Company has granted the underwriters an over-allotment option for the sale and issue of 798,450 additional common shares at an issue price of \$3.10 per share, exercisable for a period of 30 days from the date of the closing. The over-allotment option was not exercised. The Company also issued broker options for the sale and issue of 212,920 common shares at an issue price of \$3.10 per share, exercisable for a period of 18 months from the date of the closing. The fair value of the broker options amounted to \$183 and has been recorded in the share issue costs, which totaled \$1,608. The fair value of the broker options was determined using the Black-Scholes model and the following assumptions:

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Risk-free interest rate	0.73%
Expected volatility	64.1%
Estimated life in years	1.5 year
Grant-date share price	\$2.95
Broker option exercise price	\$3.10

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In January 2017, the remaining 124,000 broker warrants, issued in 2015, were exercised and 124,000 common shares and 62,000 common share purchase warrants were issued for a cash consideration of \$298.

As at February 28, 2017, 92,000 common share purchase warrants were outstanding. They are exercisable at a price of \$3.00 and expire in August 2017.

# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

## 9. Share capital (continued):

### (b) Stock option plan:

The Company has established a stock option plan under which it may grant its directors, officers, employees, researchers and consultants non-transferable options for the purchase of common shares. The exercise date of an option may not be later than ten years after the grant date. A maximum number of 6,580,000 options can be granted under the plan. Generally, the options vest at the date of the grant or over a period of up to five years. As at February 28, 2017, 2,395,306 options were available to be granted by the Company (November 30, 2016 - 2,352,306).

All options are to be settled by the physical delivery of the shares.

Changes in the number of options outstanding were as follows:

	Number of options	Weighted average exercise price per option \$
Options as at November 30, 2015	2,092,835	1.98
Forfeited	(35,000)	3.59
Options as at February 29, 2016	2,057,835	1.96
Options as at November 30, 2016	2,242,369	2.17
Expired	(43,000)	8.23
Exercised (share price: 4.07)	(7,834)	1.01
Options as at February 28, 2017	2,191,535	2.06

During the three-month period ended February 28, 2017, \$132 (February 29, 2016 - \$70) was recorded as share-based compensation expense for the stock option plan.

No options were granted during the three-month periods ended February 28, 2017 and February 29, 2016.

# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

## 9. Share capital (continued):

### (c) Loss per share:

For the three-month period ended February 28, 2017, the calculation of basic loss per share was based on the net loss attributable to common shareholders of the Company of \$2,243 (February 29, 2016 - \$153), and a weighted average number of common shares outstanding of 71,138,817 (February 29, 2016 - 65,615,603), calculated as follows:

	February 28, 2017	February 29, 2016
Issued common shares as at December 1	65,996,069	65,615,603
Effect of share options exercised	606	-
Effect of public issue of common shares	5,086,422	-
Effect of broker warrants	55,720	-
Weighted average number of common shares	71,138,817	65,615,603

For the three-month period ended February 28, 2017, a number of 2,191,535 share options, 2,392,000 warrants and 212,920 broker options, that may potentially dilute earnings per share in the future, were excluded from the weighted average number of diluted common shares calculation as their effect would have been anti-dilutive.

## 10. Other information:

The Company entered into the following transactions which had no impact on the cash flows:

	February 28, 2017	November 30, 2016
	\$	\$
Additions to property and equipment included in accounts payable and accrued liabilities	41	-
Share issue costs included in accounts payable and accrued liabilities	42	-
Share issue costs included in contributed surplus (note 9 (a))	183	-

# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

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## 11. Financial instruments:

The nature and extent of the Company's exposure to risks arising from financial instruments are consistent with the disclosure in the annual consolidated financial statements as at November 30, 2016.

## 12. Determination of fair values:

Certain of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial assets and financial liabilities measured at fair value:

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

Level 1: Defined as observable inputs such as quoted prices in active markets.

Level 2: Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

Other financial assets and financial liabilities:

The Company has determined that the carrying values of its short-term financial assets and financial liabilities, including cash, trade and other receivables and accounts payable and accrued liabilities, approximate their fair value because of the relatively short period to maturity of the instruments.

Bonds and money market funds and derivative financial assets and liabilities are stated at estimated fair value, determined by inputs that are primarily based on broker quotes at the reporting date (Level 2).

Long-term obligation:

The obligation was initially recognized at fair value and is considered Level 3 in the fair value hierarchy for financial instruments. The valuation model considered the present value of expected payments discounted using a risk-adjusted discount rate. The significant unobservable input used is the risk-adjusted discount rate of 13.5%. The Company has determined that the carrying value of the obligation approximates its fair value.



# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

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## 12. Determination of fair values (continued)

Share-based payment transactions:

The fair value of the employee stock options is measured based on the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions, if any, are not taken into account in determining fair value.

The fair value (Level 2) of the share-based payment arrangement to purchase the commercialization rights of ibalizumab has been determined using the fixed value to be paid in common shares. That value will remain the same even if the Company's common share price fluctuates on the market.

The deferred stock units liability of \$895 included in accounts payable and accrued liabilities is recognized at fair value and considered Level 2 in the fair value hierarchy for financial instruments. The fair value is determined using the quoted price of the common shares of the Company.

Warrant liability:

The warrant liability is recognized at fair value and considered Level 2 in the fair value hierarchy for financial instruments. The fair value is determined using the quoted price or adjusted quoted price in order to consider the bid and ask price in low-market trade activities.

## 13. Operating segments:

The Company has a single operating segment. Almost all of the Company's revenues are generated from one customer, RxCrossroads, which is domiciled in the United States.

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	2017	2016
	\$	\$
RxCrossroads	8,891	8,741
Others	144	2
	9,035	8,743

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# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

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## 13. Operating segments (continued):

All of the Company's non-current assets are located in Canada as is the Company's head office.

## 14. Subsequent events:

### Commercialization rights – ibalizumab

On March 6, 2017, the Company amended its agreement ("Amended Agreement") with TaiMed Biologics, Inc. ("TaiMed") to include the acquisition of the commercial rights to ibalizumab in the European Union, Israel, Norway, Russia and Switzerland, collectively the European Territory.

Under the terms of the Amended Agreement, the Company will assume regulatory responsibilities and associated costs while the clinical trial activity required by the European Medicines Agency, if any, and associated costs will be the responsibility of TaiMed.

TaiMed will manufacture and supply ibalizumab to the Company. The parties have agreed to a transfer price of 52% of the net selling price on annual sales up to US\$50,000 in the European Territory. The transfer price will increase to 57% of the net selling price on annual sales above the US\$50,000 threshold.

The Amended Agreement also provides for the following development, launch and sales milestones paid or to be paid by the Company to TaiMed:

- An upfront payment of US\$3,000 paid through the issuance of 906,077 of the Company's common shares;
- An approval milestone representing 50% of the costs of the clinical trials and all associated development activities incurred by TaiMed, if any, to obtain approval in the European Territory, payable through a transfer price increase of 5% of net selling sales;
- A launch milestone payment of US\$10,000, payable to TaiMed as follows:
  - US\$5,000, one year after launch; and
  - US\$5,000, one year after reaching sales in the European Territory of US\$50,000 over four consecutive quarters;
- A milestone of US\$10,000 upon sales in the European Territory reaching US\$150,000 over four consecutive quarters;
- A milestone of US\$20,000 upon sales in the European Territory reaching US\$500,000 over four consecutive quarters; and
- A milestone of US\$50,000 upon sales in the European Territory reaching US\$1,000,000 over four consecutive quarters.

# THE RATECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements (continued)  
(In thousands of Canadian dollars, except per share amounts)

Three-month periods ended February 28, 2017 and February 29, 2016  
(Unaudited)

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## 14. Subsequent events (continued):

The term of the Amended Agreement is calculated on a country-by-country basis and it expires 12 years following marketing approval of ibalizumab in each country comprising the European Territory.

### Exercise of broker options

Since the end of the first quarter ended February 28, 2017, 25,000 brokers options, issued in December 2016 (note 9 (a)), were exercised and 25,000 common shares were issued for a cash consideration of \$78.

### Exercise of common share purchase warrants

Since the end of the first quarter ended February 28, 2017, 1,018,200 common share purchase warrants, issued in 2015 (Notes 8 and 9 (a)), were exercised and 1,018,200 common shares were issued for a cash consideration of \$3,055.