TRANSITION THERAPEUTICS INC.

2014 Third Quarter Financial Report

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TO OUR SHAREHOLDERS

The third quarter of fiscal 2014 is highlighted by the Company's acquisition of the development and commercialization rights to neuropsychiatric drug candidate, ELND005. This transaction broadened the Company's development pipeline with an un-partnered late-stage clinical asset, coupled with Transition's core strategy of advancing assets acquired from pharmaceutical partners. From a corporate standpoint, the Company will seek to leverage the economic benefits of ELND005 and future in-licensed assets through its recently acquired Irish domiciled subsidiary, Transition Therapeutics Ireland Limited.

Subsequent to the quarter-end, the Company completed a rigorous evaluation of each of its development programs with the intent to implement a balanced strategy for growth in three key areas: late stage development of ELND005 in neuropsychiatric indications, Phase 2 development of diabetes drug candidate TT401, and capacity for the addition of one or two new in-licensed programs.

PIPELINE REVIEW

ELND005 – Neurological Disorders:

On February 28, 2014, Transition acquired all the development and commercialization rights to neuropsychiatric drug candidate, ELND005. The Company then performed an evaluation of each of the clinical trials underway to decide upon a development strategy going forward. The evaluation included a review of all of the data available from previously completed and ongoing clinical trials, the likelihood of success for each clinical trial, the costs to complete each trial, and a plan to ensure that integrity of the trials and data generated will be maintained to completion.

Agitation and Aggression in AD: Transition reviewed all the Agitation and Aggression data from the previously completed phase 2 trials in mild to moderate Alzheimer's Disease (AD201 and AD251), as well as all of the blinded data from the large ongoing ELND005 clinical trials of Agitation and Aggression (AG201 and AG251). Based on this in-depth review and analysis, Transition is fully committed to allocating all the financial and human resources necessary to support the Phase 2 study evaluating ELND005 in mild to severe Alzheimer's disease patients who are experiencing agitation and aggression. This ongoing clinical study (AG201) is called the "Harmony AD" study (www.harmonyadstudy.com) and has a projected enrollment of up to 400 subjects. Transition expects enrollment to be completed by the first quarter of 2015 with results from the study expected in mid-2015. A safety extension study (Study "AG251") is ongoing and is enrolling subjects who have completed the placebo-controlled "HarmonyAD" study. To date, the large majority of subjects completing the "HarmonyAD" study are participating in the AG251 extension study. This Agitation and Aggression in AD program has received Fast Track status from the United States Food and Drug Administration.

Down Syndrome: The Phase 2a study of ELND005 in young adult subjects with Down Syndrome is near completion of enrollment. This study evaluates the safety, pharmacokinetics of ELND005 and includes selected cognitive and behavioral measures over a one-month treatment period. The data from this study are expected to be available in the third quarter of calendar 2014. Following the completion of this study, depending on the data and the advice from regulatory agencies and experts in the field, the next step in development would be a larger Phase 2b study in Down syndrome subjects.

Bipolar Disorder: With the focus of ELND005 development on Alzheimer's disease and Down syndrome, Transition has decided to discontinue the Bipolar Disorder clinical study (BPD201). The decision followed a commercial assessment of the size and length of the study, costs and timelines for completion. This decision was not based on any analysis of efficacy data (blinded or unblinded), since the number of subjects who completed the randomized phase of the trial was too small. There were no adverse safety findings that contributed to this decision. Regular evaluations by the study's independent safety monitoring committee have supported the continuation of the study with no changes. This study will provide valuable safety data from approximately 300 subjects and imaging data in a subset of patients that will support the ELND005 program.

TO OUR SHAREHOLDERS

Overall, there is a very comprehensive package of clinical and non-clinical data that continues to support the ELND005 programs in AD and Down syndrome. In the coming months, Transition will be presenting data from three additional ELND005 Phase 1 studies demonstrating the metabolism, renal clearance and cardiovascular characteristics of ELND005.

TT401 – Type 2 Diabetes:

Transition's partner, Eli Lilly, has been very committed to the advancement of TT401 across all areas of development. A Phase 2 study of TT401 is in the final preparation stage with dosing expected to commence in calendar Q2 2014. Transition will be supporting this study with an expected contribution of US$14 million in three installments during the study.

Growth Through In-Licensed Programs:

With multiple Phase 2 programs in development, Transition continues its strategy of mitigating risk through the parallel development of additional programs. Allocation of development resources to these drug candidates follows a strict discipline of evaluating costs, timelines and selecting candidates with a strong likelihood of success. Following this approach, Transition has decided to end development of osteoarthritis preclinical candidate, TT601. This decision was made after expanded toxicology study data and regulatory interactions revealed the development plan would be restricted and timelines delayed. Transition has ongoing diligence processes to in-license additional drug candidates and expand the Company's overall development pipeline.

OUTLOOK

As we look ahead, Transition possesses a solid base with its two Phase 2 clinical development programs targeting the large disease indications of AD and diabetes. These opportunities, combined with a platform for growth via the Company's core strategy of developing assets acquired from pharmaceutical partners, provides both near term catalysts and long term risk mitigation.

Allocating resources and full support to the Agitation and Aggression for AD study and the Down syndrome study has narrowed the focus and provides a development strategy for ELND005 going forward. These studies are well-underway or nearing completion with Transition planning to announce top-line data in the coming quarters. In addition, the Company will be reporting data from multiple completed ELND005 Phase 1 studies that will be supportive for registration filings. Our development partner Lilly continues to demonstrate a strong commitment to the advancement of TT401 and it is expected that a Phase 2 study will commence during calendar Q2 2014. From a growth perspective, Transition is actively seeking to expand its development pipeline with additional potential programs in the near future.

We appreciate the continued support of our shareholders and look forward to providing an update on the progress of these programs in the coming year

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Tony Cruz
Chairman and CEO
Transition Therapeutics Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information should be read in conjunction with the Company's unaudited consolidated financial statements for the three and nine month periods ended March 31, 2014 and the related notes, which are prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial statements, as well as the audited consolidated financial statements for the year ended June 30, 2013, including the notes thereto, prepared in accordance with IFRS, and the annual fiscal 2013 MD&A. This Management's Discussion and Analysis ("MD&A") provides a review of the performance of the Company for the three and nine month periods ended March 31, 2014 as compared to the three and nine month periods ended March 31, 2013. This review was performed by management with information available as of May 9, 2014.

Where "we", "us", "our", "Transition" or the "Company" is used, it is referring to Transition Therapeutics Inc. and its wholly-owned subsidiaries, unless otherwise indicated. All amounts are in Canadian dollars, unless otherwise indicated.

Additional information relating to the Company, including the Company's most recently filed Annual Information Form, can be found on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain forward looking statements within the meaning of applicable securities laws. Forward looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "estimate", "intend", "may" or similar words suggesting future outcomes. Forward-looking statements in this MD&A include, but are not limited to statements with respect to: the clinical study phases of the Company's product candidates which the Company expects to complete in fiscal 2014 and beyond; the ability of the Company's business model to maximize shareholder returns; the potential for ELND005 to slow the progression of Alzheimer's disease and improve symptoms; the potential for ELND005 to be effective for the treatment of agitation and or aggression in patients with Alzheimer's disease; the potential for ELND005 to be effective for the treatment of Down syndrome; the timing and manner of future clinical development of ELND005; the global population size of those affected by Alzheimer's disease; the demand for a product that can slow or reverse the progression of Alzheimer's disease; the demand for a product that can reduce the emergence of neuropsychiatric symptoms like depression, anxiety and agitation in Alzheimer's disease; the potential clinical benefit of ELND005 in the treatment of other disease indications; the development of TT401 and the series of preclinical compounds in-licensed from Eli Lilly and Company ("Lilly") and their potential benefit in type 2 diabetes patients; the timing and manner of future clinical development of TT401 performed by Lilly; the engagement of third party manufacturers to produce the Company's drug substances and products; the intention of the Company to make collaborative arrangements for the marketing and distribution of its products and the impact of human capital on the growth and success of the Company.

This forward-looking information is subject to various risks and uncertainties, including those discussed below, that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed. Readers are cautioned not to place undue reliance on this forward-looking information, which is provided as of the date of this MD&A unless otherwise stated, and the Company will not undertake any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events, or otherwise, except as required by securities laws.

Some of the assumptions, risks and factors which could cause future outcomes to differ materially from those set forth in the forward-looking information include, but are not limited to: (i) the assumption that the Company will be able to obtain sufficient and suitable financing to support operations, clinical trials and commercialization of products, (ii) the risk that the Company may not be able to capitalize on partnering and acquisition opportunities, (iii) the assumption that the Company will obtain favourable clinical trial results in the expected timeframe, (iv) the assumption that the Company will be able to adequately protect proprietary information and technology from competitors, (v) the risks

relating to the uncertainties of the regulatory approval process, (vi) the impact of competitive products and pricing and the assumption that the Company will be able to compete in the targeted markets, and (vii) the risk that the Company may be unable to retain key personnel or maintain third party relationships, including relationships with key collaborators.

By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections or other forward-looking statements will not occur. Prospective investors should carefully consider the information contained under the heading "RISKS AND UNCERTAINTIES" as described in the MD&A for the year ended June 30, 2013.

OVERVIEW

Transition is a product-focused biopharmaceutical company, developing novel therapeutics for disease indications with large markets. The Company's lead CNS drug candidate is ELND005 for the treatment of Alzheimer's disease and Down syndrome. Transition's lead metabolic drug candidate is TT401 for the treatment of type 2 diabetes and accompanying obesity.

Highlights for the Company during the nine month period ended March 31, 2014 and up to the date of this MD&A include the following:

ELND005:

- ***April 7, 2014 – Transition provided a clinical development update and announced the decision to focus ELND005 development on the completion of current Phase 2 clinical studies in Agitation and Aggression in Alzheimer's disease and a Phase 2a study in Down syndrome.*** A decision was also made to discontinue the clinical study of bipolar subjects following a commercial assessment of the size and length of the bipolar study, and costs and timelines for its completion. This decision was not based on any analysis of efficacy data and there were no adverse safety findings that contributed to this decision;
- ***February 28, 2014 – Transition announced the acquisition of an Irish domiciled company, the holder of all the development and commercialization rights of neuropsychiatric drug candidate, ELND005.*** Going forward, Transition's wholly owned subsidiary, Transition Therapeutics Ireland Limited, will be responsible for all future development and commercialization activities of the ELND005 drug candidate. In parallel with this acquisition, Perrigo Company plc "(Perrigo") has invested US$15 million and received 2,255,640 Transition common shares representing approximately a 7% ownership stake in Transition. Perrigo will also be eligible to receive up to US$40 million in approval and commercial milestone payments and a 6.5% royalty on net sales of ELND005 products and sublicense fees received;
- ***December 18, 2013 – Perrigo completed its acquisition of Elan Pharmaceuticals and all its subsidiaries.*** With this acquisition, Perrigo acquired all the rights and obligations of Elan under the collaboration agreement with Waratah, a wholly-owned subsidiary, for the development and commercialization of ELND005;
- ***September 4, 2013 - Transition announced that their licensing partner Elan had dosed the first patient in a Phase 2a clinical study of ELND005 in Down syndrome***;
- ***July 17, 2013 - Transition announced that the US Food and Drug Administration ("FDA") has granted Fast Track Designation to the development program for ELND005 which was submitted for the treatment of Neuropsychiatric Symptoms ("NPS") in Alzheimer's disease ("AD").*** The FDA concluded that the development program for ELND005 for the treatment of NPS in AD meets their criteria for Fast Track Designation.

TT401:

- ***April 7, 2014 – Transition provided a clinical development update and announced that a Phase 2 study of TT401 is in the final preparation stage with dosing expected to commence in calendar Q2 2014***.

TT601:

- ***April 7, 2014 – Transition provided a clinical development update and announced that there would be no further development of osteoarthritis preclinical candidate, TT601.*** This decision was made after expanded toxicology study data and regulatory interactions revealed the development plan would be restricted and timelines delayed;
- ***July 23, 2013 - Transition announced the exclusive licensing of worldwide rights to a novel small molecule transcriptional regulator ("TT601") from Lilly for the treatment of osteoarthritis ("OA") pain.***

Corporate Developments:

- ***February 28, 2014 - In parallel with the re-acquisition of the ELND005 rights, Transition announced that Perrigo has invested US$15 million and received 2,255,640 Transition common shares representing approximately a 7% ownership stake in Transition;***
- ***August 15, 2013 - Transition announced the closing of the private placement involving Jack W. Schuler, Larry N. Feinberg, Oracle Investment Management, certain Transition Board members, management and other existing shareholders of US$11 million by purchasing 2,625,300 units of the Company at a price of US$4.19 per unit.***

STRATEGIC COLLABORATIONS

Perrigo Company plc

In 2006, Transition exclusively licensed the ELND005 technology to Elan for worldwide development and commercialization. Following amendment of that agreement in 2010, Elan held all development and commercialization rights to ELND005 and Transition became eligible to receive milestone and royalty payments with the successful advancement of ELND005. Transition has received US$40 million from Elan in upfront and achieved milestone payments. Perrigo acquired Elan in December 2013, including all Elan's rights and obligations to the development of ELND005.

On February 28, 2014, Transition announced that after a series of transactions, Perrigo had transferred all of its ELND005 rights and assets under the collaboration agreement to the Company's wholly owned subsidiary, Transition Therapeutics Ireland Limited. In parallel with this acquisition, Perrigo invested US$15 million and received 2,255,640 Transition common shares representing approximately a 7% ownership stake in Transition. Perrigo will also be eligible to receive up to US$40 million in approval and commercial milestone payments and a 6.5% royalty on net sales of ELND005 products and sublicense fees received. Going forward, Transition will be responsible for all future development and commercialization activities of the ELND005 drug candidate.

Eli Lilly and Company

(i) Diabetes

On March 3, 2010, Transition and Lilly entered into a licensing and collaboration agreement granting Transition the rights to a series of preclinical compounds in the area of diabetes. Under the licensing and collaboration agreement, Transition received exclusive worldwide rights to develop and potentially commercialize a class of compounds that, in preclinical models, showed potential to provide glycemic control and other beneficial effects including weight loss.

Under the terms of the agreement, Lilly received an up-front payment of $1,055,900 (US$1 million) which has been capitalized as a license acquired from Lilly and is being amortized over 20 years which represents the estimated life of the underlying compounds and patents.

In June 2013, Lilly assumed all development and commercialization rights to type 2 diabetes drug candidate TT401. In conjunction with this assumption of rights, Transition received a US$7 million milestone payment. Lilly has assumed all costs and will perform all future development and commercialization activities of TT401, and Transition will pay US$14 million to Lilly in three separate installments during the Phase 2 clinical study. In return, Transition is eligible to receive up to approximately US$240 million in additional milestone payments. Transition will also be eligible to receive a double-digit royalty on sales of TT401 products and a low single digit royalty on related compounds.

(ii) Osteoarthritis Pain

On July 23, 2013, Transition announced the exclusive licensing of worldwide rights to a novel small molecule transcriptional regulator ("TT601") from Lilly for the treatment of osteoarthritis pain. On April 7, 2014, the Company announced there would be no further development of TT601. This decision was made after expanded toxicology study data and regulatory interactions revealed the development plan would be restricted and timelines delayed. Under the terms of the agreement with Lilly, the rights to TT601 have been returned to Lilly and the Company has no further funding obligations to Lilly for the development of TT601.

PROGRAMS

Transition is focused on developing innovative therapies in several distinct areas of opportunity. Transition's vision is to build a company that has a strong foundation for growth based on multiple technologies and product opportunities, which reduces risk and enhances return. The Company's technologies are as follows:

Alzheimer's disease:

Alzheimer's disease is a progressive brain disorder that gradually destroys a person's memory and ability to learn, reason, make judgments, communicate and carry out daily activities. As Alzheimer's disease progresses, individuals may also experience changes in personality and behavior, such as anxiety, suspiciousness or agitation, as well as delusions or hallucinations. Approximately 90% of Alzheimer's disease patients develop neuropsychiatric symptoms, and up to 60% develop agitation/aggression over the course of their disease. Agitation/aggression are among the most disruptive neuropsychiatric symptoms in Alzheimer's disease and are associated with increased morbidity and caregiver burden.

The disease mainly affects individuals over age 65 and it is estimated over 18 million people are suffering from Alzheimer's disease worldwide. In the U.S., Alzheimer's disease is the sixth leading cause of death and current direct/indirect costs of caring for an estimated 5.4 million Alzheimer's disease patients are at least US$100 billion annually.

Current U.S. Food and Drug Administration approved Alzheimer's disease medications may temporarily delay memory decline for some individuals, but none of the currently approved drugs are known to stop the underlying degeneration of brain cells. Certain drugs approved to treat other illnesses may sometimes help with the emotional and behavioral symptoms of Alzheimer's disease. With an aging population, there is a great need for therapies to address Alzheimer's disease patient's neuropsychiatric symptoms and declines in cognitive ability.

Down Syndrome:

Down syndrome (DS, Trisomy 21), caused by an extra copy of chromosome 21, is the most common genetic form of intellectual disability with a prevalence of approximately 1 in 700 live births in the US. Children with DS exhibit

developmental delay and various degrees of intellectual disability, while adults are at increased risk of Alzheimer's dementia. There are currently no drugs approved for the treatment of cognitive dysfunction in DS.

Excess activity of genes on chromosome 21, such as amyloid precursor protein (APP) and sodium-myo-inositol active transporter (SMIT), are thought to play a role in the cognitive dysfunction of DS. Life-long exposure to increased amyloid and myo-inositol levels in the brain are thought to lead to synaptic dysfunction and cognitive disability. ELND005 may have the potential to improve cognition in DS by decreasing amyloid levels and regulating myo-inositol-dependent neuronal signaling.

CLINICAL DEVELOPMENT UPDATE

ELND005 for Neuropsychiatric Diseases

ELND005, scyllo-inositol, is an orally bioavailable small molecule that is being investigated for multiple neuropsychiatric indications on the basis of its proposed dual mechanism of action, which includes β-amyloid anti-aggregation and regulation of brain myo-inositol levels. An extensive clinical program of Phase 1 and Phase 2 studies have been completed with ELND005 to support clinical development. The Phase 2 study (ELND005-AD201) which evaluated ELND005 in more than 350 mild to moderate AD patients was published in the peer-reviewed journal, Neurology. The Neurology article was entitled "A Phase 2 randomized trial of ELND005, scyllo-inositol, in mild-moderate Alzheimer's disease".

Currently, there are two Phase 2 clinical studies of ELND005 being performed:

(a) Agitation and Aggression in Alzheimer's Disease

On November 27, 2012, the first patient was enrolled in a Phase 2 clinical trial of ELND005 for the treatment of agitation/aggression in patients with mild to severe Alzheimer's disease. The objectives of the study are to evaluate the efficacy, safety and tolerability of ELND005 over 12 weeks of treatment in patients with mild to severe AD, who are experiencing at least moderate levels of agitation/aggression. This ongoing clinical study (AG201) is called the "Harmony AD" study (www.harmonyadstudy.com) and has a projected enrollment of up to 400 subjects. Transition expects enrollment to be completed by the first quarter of 2015 with results from the study expected in mid-2015. A safety extension study (Study "AG251") is ongoing and is enrolling subjects who have completed the placebo-controlled "HarmonyAD" study. To date, the large majority of subjects completing the "HarmonyAD" study are participating in the AG251 extension study.

(b) Down Syndrome

On September 4, 2013, Transition announced the first patient was dosed in a Phase 2a study of ELND005 in Down syndrome. This study evaluates the safety, pharmacokinetics of ELND005 and includes selected cognitive and behavioral measures over a one-month treatment period. The Phase 2a study of ELND005 in young adult subjects with Down Syndrome is near completion of enrollment. The data from this study are expected to be available in the third quarter of calendar 2014. Following the completion of this study, depending on the data and the advice from regulatory agencies and experts in the field, the next step in development would be a larger Phase 2b study in Down syndrome subjects.

The ELND005 technology is claimed in multiple issued patents and pending patent applications in many jurisdictions throughout the world.

Expenditures for the ELND005 Program

On February 28, 2014, Transition announced that after a series of transactions, Perrigo has transferred all of its ELND005 rights and assets to the Company's wholly owned subsidiary, Transition Therapeutics Ireland Limited. As a result, Transition is now responsible for all future development and commercialization activities of the ELND005 drug candidate. During the three month period ended March 31, 2014, the Company incurred approximately $3,171,000 in clinical trial and development costs relating to ELND005. Prior to the acquisition, Transition was not required to fund the development or commercialization of ELND005 and accordingly, development costs were nil in both the three and nine month comparative periods ended March 31, 2013.

TT401 / TT402

Development of TT401 and TT402 for Diabetes

Diabetes is a disease in which the body does not produce or properly use insulin. Insulin is a hormone released from islet cells located in the pancreas that is needed to convert sugar, starches and other food into energy needed for daily life. There are two primary forms of diabetes; type 1 diabetes and type 2 diabetes.

Type 2 diabetes usually begins as insulin resistance, a disorder in which the cells do not use insulin properly. As the need for insulin increases, the pancreas gradually loses its ability to produce it. Current treatments for type 2 diabetes include lifestyle changes, oral medications, incretin therapy and insulin therapy. Type 2 diabetes accounts for about 90-95% of all diagnosed cases of diabetes.

Clinical Development of TT401

On March 3, 2010, Transition announced that it had acquired the exclusive worldwide rights to develop and potentially commercialize a series of preclinical compounds from Lilly in the area of diabetes. In preclinical diabetes models, these compounds showed potential to provide glycemic control and other beneficial effects including weight loss.

On June 18, 2012, Transition announced the results of the Phase 1 clinical study of type 2 diabetes drug candidate, TT401. The Phase 1, double-blind, placebo-controlled randomized study enrolled 48 non-diabetic obese subjects in six cohorts evaluating six escalating subcutaneous single doses of TT401. TT401 demonstrated an acceptable safety and tolerability profile in non-diabetic obese subjects in the study. TT401 exhibited the expected pharmacological effect on glucose and pharmacodynamic biomarkers at doses that were safe and tolerable. The pharmacokinetic profile, assessed over 28 days, demonstrated a half-life consistent with once-weekly dosing.

On April 30, 2013, Transition announced the results of a five-week proof of concept clinical study of TT401 in type 2 diabetes and obese non-diabetic subjects. The study enrolled diabetic patients at five dosing levels and non-diabetic obese patients at one dose level. All dosing cohorts received five doses over a five week period. Diabetic patients were on stable doses of metformin.

At the end of the treatment period, TT401-treated patients in the 3 highest dose groups experienced statistically significant reductions in mean fasting plasma glucose relative to placebo. Statistically significant mean body weight reduction relative to baseline occurred in the three highest dose groups. A similar reduction in body weight was also observed in the obese non-diabetic cohort. TT401 demonstrated an acceptable safety and tolerability profile at all doses evaluated in diabetic and non-diabetic obese subjects. The most common adverse event noted in the study was

decreased appetite. Some subjects in the highest three dose groups experienced mild nausea and vomiting, which are consistent with studies of other GLP-1 agonist drug candidates. The pharmacokinetic profile, assessed over the five week study, demonstrated a half-life consistent with once-weekly dosing.

Data from the study support a clear development path forward to a larger Phase 2 efficacy study of TT401.

On June 17, 2013, Lilly exercised its option to assume all development and commercialization rights to type 2 diabetes drug candidate TT401. In conjunction with this assumption of rights, Transition received a US$7 million milestone payment. Lilly and Transition have amended their agreement to address future development of TT401 and associated financial arrangements. Lilly has assumed all costs and will perform all future development and commercialization activities of TT401. Lilly have been very committed to the advancement of TT401 across all areas of development and a Phase 2 study of TT401 is in the final preparation stage with dosing expected to commence in the next quarter. Transition will contribute payment of US$14 million to Lilly in three separate installments during the Phase 2 clinical study.

Expenditures for the TT401/402 Program

During the three and nine month period ended March 31, 2014 and 2013, the Company incurred direct research and development costs for this program as follows:

TT401/402 Program[(1)]	**Three month period ended March 31, 2014 $**	**Three month period ended March 31, 2013 $**	**Nine month period ended March 31, 2014 $**	**Nine month period ended March 31, 2013 $**
Pre-clinical studies	-	513,097	7,488	997,370
Clinical studies	-	619,037	87,379	1,705,094
Manufacturing	-	208,113	(37,419)	789,412
Other direct research	6,666	42,923	38,634	141,174
TOTAL	6,666	1,383,170	96,082	3,633,050

[(1)] These costs are direct research and development costs only and do not include patent costs, investment tax credits, salaries and benefits, amortization of intangible assets or an allocation of Company overhead.

TT601 for Osteoarthritis Pain

Clinical Development of TT601

On April 7, 2014, the Company announced there would be no further development of TT601. This decision was made after expanded toxicology study data and regulatory interactions revealed the development plan would be restricted and timelines delayed. Under the terms of the agreement with Lilly, the rights to TT601 have been returned to Lilly and the Company has no further funding obligations to Lilly for the development of TT601.

Expenditures for the TT601 Program

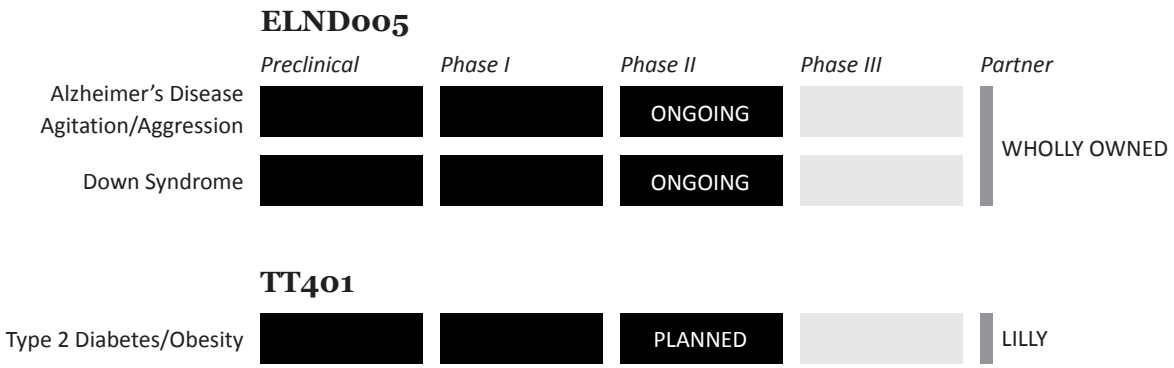
During the three and nine month periods ended March 31, 2014 and 2013, the Company incurred direct research and development costs for this program as follows:

TT601 Program[(1)]	Three month period ended March 31, 2014 $	Three month period ended March 31, 2013 $	Nine month period ended March 31, 2014 $	Nine month period ended March 31, 2013 $
Pre-clinical studies	416,264	-	665,547	-
Clinical studies	72,205	-	72,205	-
Manufacturing	160,825	-	360,853	-
Other direct research	18,651	-	82,141	-
TOTAL	667,945	-	1,180,746	-

(1) These costs are direct research and development costs only and do not include patent costs, investment tax credits, salaries and benefits, amortization of intangible assets or an allocation of Company overhead.

The Next Steps

Transition's goal for its programs is to achieve product approval and ultimately significant revenues or royalties. To achieve product approval, the Company and or its partners, must successfully complete clinical trials and achieve regulatory approval. The stages of development of the Company's technologies are illustrated below:



RESULTS OF OPERATIONS

For the three month period ended March 31, 2014, the Company recorded a net loss of $5,067,292 ($0.17 loss per common share) compared to net loss of $2,903,331 ($0.11 loss per common share) for the three month period ended March 31, 2013.

For the nine month period ended March 31, 2014, the Company recorded a net loss of $8,652,250 ($0.29 loss per common share) compared to net income of $2,078,181 ($0.08 income per common share) for the nine month period ended March 31, 2013.

Net loss increased $2,163,961 during the three month period ended March 31, 2014 compared to the three month period ended March 31, 2013. The increase in net loss during this three month period is primarily due to the settlement of a pre-existing relationship recognized in connection with the re-acquisition of the ELND005 rights as well as increases in research and development and general and administration expenses. The increase in net loss has been partially offset by the change in fair value of contingent consideration and increased foreign exchange gains.

Net loss increased $10,730,431 during the nine month period ended March 31, 2014 compared to the nine month period ended March 31, 2013. The increase in net loss for the nine month period ended March 31, 2014 is largely attributed to the revenue recognized during the first quarter of fiscal 2013 resulting from the $10,815,200 (US$11 million) milestone payment received from Elan upon the commencement of the next ELND005 clinical trial. The increase in net loss is also attributed to the settlement of a pre-existing relationship recognized in connection with the re-acquisition of the ELND005 asset as well as increases in research and development and general and administration expenses. The increase in net loss has been partially offset by the change in fair value of contingent consideration and increased foreign exchange gains.

Revenue

Revenue is nil in both the three month periods ended March 31, 2014 and 2013.

Revenue is nil in the nine month period ended March 31, 2014 compared to $10,815,200 (US$11,000,000) for the nine month period ended March 31, 2013.

In August 2012, Elan dosed the first patient in a Phase 2 clinical study of ELND005 in Bipolar Disorder. In light of the amendments to the Elan agreement, the Company recognized $10,815,200 (US$11,000,000) as revenue during the three month period ended September 30, 2012 which represents the milestone payment received from Elan upon their commencement of the next ELND005 clinical trial.

Research and Development

Research and development expenses increased by $2,353,755 from $2,380,533 for the three month period ended March 31, 2013 to $4,734,288 for the three month period ended March 31, 2014. For the nine month period ended March 31, 2014, research and development expenses increased $326,565 to $6,902,901 from $6,576,336 for the same period in fiscal 2013.

The increases in research and development expenses for both the three and nine month periods ended March 31, 2014 are primarily due to increases in clinical development costs related to the re-acquired rights to the drug candidate ELND005 and pre-clinical research on TT601. The increase in research and development costs have been partially offset by decreases in clinical development costs associated with diabetes drug candidate TT401/TT402 as well as decreased amortization resulting from the write off of the TT301/302 technology.

The Company anticipates that research and development expenses will increase during the fourth quarter of fiscal 2014 as the Company funds the clinical development of the ongoing Phase 2 clinical trials of ELND005 in agitation and aggression in Alzheimer's disease and cognition in Down syndrome.

General and Administrative

General and administrative expenses increased by $261,022 from $870,857 for the three month period ended March 31, 2013 to $1,131,879 for the three month period ended March 31, 2014. For the nine month period ended March 31, 2014, general and administrative expenses increased $515,759 to $3,052,958 from $2,537,199 for the same period in fiscal 2013.

The increases in general and administrative expenses for both the three and nine month periods ended March 31, 2014 are primarily due to increases in legal and professional fees as well as increased business and corporate development activities.

The Company anticipates that general and administrative expenses will remain relatively consistent during the fourth quarter of fiscal 2014 as the Company continues with on-going business and corporate development initiatives.

Settlement of a Pre-existing Relationship

During the three and nine month periods ended March 31, 2014, the Company recognized an expense of $3,101,507 as a settlement of a pre-existing relationship relating to the collaboration agreement with Elan. The Company did not recognize a settlement during the comparative three and nine month periods ended March 31, 2013.

Change in Fair Value of Contingent Consideration Payable

The contingent consideration is required to be measured as a financial liability at fair value and re-measured at each reporting date. Accordingly, the Company has recognized a change in fair value of contingent consideration payable of $2,781,907 during both the three and nine month periods ended March 31, 2014. There was no change in fair value recognized during the comparative three and nine month periods ended March 31, 2013.

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of selected quarterly consolidated financial information of the Company for each of the eight most recently completed quarters ending at March 31, 2014.

	First Quarter $	Second Quarter $	Third Quarter $	Fourth Quarter $
2014				
Revenue	-	-	-	
Net income (loss)[(1)]	(2,331,186)	(1,253,772)	(5,067,292)	
Basic and diluted net income (loss) per common share	(0.08)	(0.04)	(0.17)	
2013				
Revenue	10,815,200	-	-	7,118,300
Net income (loss)[(1)]	7,736,046	(2,754,534)	(2,903,331)	(2,054,884)
Basic and diluted net income (loss) per common share	0.29	(0.10)	(0.11)	(0.08)
2012				
Revenue				-
Net income (loss)[(1)]				(2,536,555)
Basic and diluted net income (loss) per common share				(0.10)

[(1)] Net income (loss) before discontinued operations was equivalent to the net income (loss) for such periods.

The fluctuations of Transition's quarterly results are primarily due to the recognition of up-front and licensing fees relating to the Elan and Lilly agreements, recognition of an impairment loss relating to the TT301/TT302 technology, and changes in: activity levels of the clinical trials being performed by the Company; foreign exchange gains and losses; and business and corporate development costs.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results can differ from those estimates. We have identified the following areas which we believe require management's most subjective judgments, often requiring the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods.

(a) Estimates

Valuation and Amortization of Intangible Assets

The Company's intangible assets are comprised of purchased or licensed pharmaceutical compounds, technology and patents. The costs of the Company's intangible assets are amortized over the estimated useful life of 20 years. Factors considered in estimating the useful life of the intangible asset include the expected use of the asset by the Company, legal, regulatory and contractual provisions that may limit the useful life, the effects of competition and other economic

factors, and the level of expenditures required to obtain the expected future cash flows from the intangible asset. The Company re-evaluates the useful life when there has been a change in these factors. The Company assesses its intangible assets for recoverability whenever indicators of impairment exist. When the carrying value of an asset is greater than its recoverable amount, which is the higher of its value in use or fair value less costs to sell, an impairment loss is recognized. An impairment loss of $6,545,821 was recognized in the fourth quarter of fiscal 2013 to write off the intangible asset related to TT301 as a result of management's decision to terminate the program.

Valuation of Contingent Consideration Payable

The contingent consideration is measured at fair value based on level 3 inputs. The contingent consideration is not based on observable inputs and is measured using a discounted cash flow analysis of expected payments in future periods. The significant estimates used in the fair value calculations are as follows:

(a) Management has estimated the timing of the milestone payments based on current expectations and plans for the development of ELND005. The milestone payments are assigned a probability based on industry statistics for the successful development of pharmaceutical products. An increase of 10% applied to the probability assumptions, with all other variables held constant, will increase the contingent consideration payable by $1,328,000. Conversely a decrease of 10% applied to the probability assumptions, with all other variables held constant, would decrease the contingent consideration payable by $1,328,000;

(b) The probability adjusted cash flows are discounted at a rate of 23% which is management's best estimate of the Company's cost of capital. An increase of 5% to the discount rate would decrease the contingent consideration payable by $910,000. Conversely, a decrease of 5% to the discount rate would increase the contingent consideration payable by $1,247,000.

Valuation Allowance for Deferred Income Tax Assets

The Company has not recognized certain deferred tax assets primarily related to the carry forward of operating losses and qualifying research and development expenses. The Company has determined that it is not probable that these carry forward amounts will be realized based on historical results and estimated future taxable income. The generation of future taxable income or the implementation of tax planning strategies could result in the realization of some or all of the carry forward amounts, which could result in a material change in our net income (loss) through the recovery of deferred income taxes. However, there is no assurance that the Company will be able to record deferred income tax recoveries in the future.

Share Based Payments

When the Company issues stock options and warrants, an estimate of fair value is derived for the equity instrument using the Black-Scholes option pricing model. The application of this option pricing model requires management to make assumptions regarding several variables, including the period for which the instrument will be outstanding, the price volatility of the Company's stock over a relevant timeframe, the determination of a relevant risk free interest rate and an assumption regarding the Company's dividend policy in the future. If other assumptions are used, the value derived for the equity instruments could be significantly impacted.

(b) Judgments

Recognition of Revenue

The Company has recognized as revenue all amounts that have been received under the contracts with Elan and Lilly. The recognition of revenue requires judgment in evaluating the contractual terms and assessing the Company's performance towards meeting the contractual obligations.

Settlement of a Pre-Existing Relationship

The Company has determined that the transactions entered into with Perrigo on February 28, 2014 have resulted in the re-acquisition of the rights to the development and commercialization of ELND005 which in accordance with IFRS must be accounted for as a settlement of a pre-existing relationship (the collaboration agreement between Waratah and Elan). Accordingly, the company expensed $3,101,507 in the three month period ended March 31, 2014 as the cost related to the settlement of the pre-existing relationship.

ACCOUNTING CHANGES

The following accounting policies have been adopted effective July 1, 2013.

IFRS 10 – Consolidated Financial Statement, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaced SIC-12, Consolidation – Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of IFRS 10 did not impact the Company's interim consolidated financial statements;

IFRS 12 – Disclosure of Interests in Other Entities establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interest in other entities. The adoption of this IFRS will require additional disclosures in the annual consolidated financial statements; and

IFRS 13 – Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in a transaction between market participants, at the measurement date. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any adjustments as at July 1, 2013.

IFS ISSUED BUT NOT YET ADOPTED

IAS 36 – Impairment of Assets

IAS 36 has been amended to include limited scope amendments to the impairment disclosures. The amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not determined the impact of the adoption of this IFRS on the Company's consolidated financial statements; and

IFRS 2 – Share Based Payments has been amended to clarify the definition of vesting conditions. The amendments are effective for annual periods beginning on or after July 1, 2014. The Company has not determined the impact of the adoption of IFRS 2 on the Company's consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no substantive changes in the Company's internal controls over financial reporting that have occurred during the most recent interim period beginning January 1, 2014 and ending March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company commenced operations in July 1998, and has devoted its resources primarily to fund its research and development programs. All revenue to date has been generated from interest income on surplus funds, milestone payments, and licensing fees. The Company has incurred a cumulative deficit to March 31, 2014 of $157,985,166. Losses are expected to continue for the next several years as the Company invests in research and development, preclinical studies, clinical trials, manufacturing and regulatory compliance.

Since inception, the Company has been financed primarily from public and private sales of equity, the exercise of warrants and stock options, interest earned on cash deposits and short term investments and revenues and reimbursements from partners.

The Company's cash, cash equivalents and short term investments were $52,898,449 at March 31, 2014 as compared to $28,125,639 at June 30, 2013, resulting in an increase of $24,772,810. The Company's working capital position at March 31, 2014 increased $23,478,892 from $25,505,725 at June 30, 2013 to $48,984,617, at March 31, 2014.

The increase in the Company's cash, cash equivalents and short term investments as well as the increase in working capital is primarily due to the net proceeds of $16.4 million received from Perrigo in exchange for 2,255,640 Transition common shares as well as the $10.9 million received from the private placement equity financing which closed on August 15, 2013 whereby the Company issued 2,625,300 units of the Company to existing shareholders, board members and management at a price of US$4.19 per unit. Each unit consisted of (i) one common share, (ii) 0.325 Common Share purchase warrant with a purchase price of US$4.60 per whole warrant and (iii) 0.4 Common Share purchase warrant with a purchase price of US$6.50 per whole warrant. Each whole warrant will entitle the holder, within two years of the closing date, to purchase one additional common share in the capital of the Company. If and when all of the warrants are exercised, the Company may realize up to an additional US$10.7 million in proceeds.

The increase in the Company's cash, cash equivalents and short term investments as well as the increase in working capital can also be attributed to the strengthening US dollar resulting in increased foreign exchange gains. The increase in the Company's cash, cash equivalents and short term investments as well working capital has been partially offset by expenditures incurred during the nine month period ended March 31, 2014.

The Company's current cash projection indicates that the current cash resources should enable the Company to execute its core business plan and meet its projected cash requirements beyond the next 12 months.

The success of the Company is dependent on its ability to bring its products to market, obtain the necessary regulatory approvals and achieve future profitable operations. The continuation of the research and development activities and the commercialization of its products are dependent on the Company's ability to successfully complete these activities and to obtain adequate financing through a combination of financing activities, operations, and partnerships. It is not

possible to predict either the outcome of future research and development programs or the Company's ability to fund these programs going forward.

Financial Instruments

Financial instruments of the Company consist mainly of cash and cash equivalents, short term investments, accounts payable and accrued liabilities, and contingent consideration payable. Management's primary investment objective is to maintain safety of principal and provide adequate liquidity to meet all current payment obligations and future planned expenditures.

The Company is exposed to market risks related to volatility in interest rates for the Company's investment portfolio and foreign currency exchange rates related to investments and purchases of supplies and services made in U.S. dollars.

The Company is exposed to interest rate risk to the extent that the cash equivalents and short term investments are at a fixed rate of interest and their market value can vary with the change in market interest rates. The Company's maximum exposure to interest rate risk is based on the effective interest rate of the current carrying value of these assets. The Company does not speculate on interest rates and holds all deposits until their date of maturity.

Contractual Obligations

Minimum payments under our contractual obligations are as follows:

	Less than 1 year $	1 - 3 years $	4 - 5 years $	After 5 years $	Total $
Lilly Phase 2	6,633,000	8,844,000	-	-	15,477,000
Operating Leases	64,541	292,018	1,377	-	357,936
Clinical and toxicity study agreements	9,123,424	11,154,495	-	-	20,277,919
Manufacturing Agreements	507,568	1,015,136	-	-	1,522,704
Contingent Consideration Payable	-	2,847,759	-	48,068,760	50,916,519
Other	8,670	-	-	-	8,670
TOTAL	**16,337,203**	**24,153,408**	**1,377**	**48,068,760**	**88,560,748**

PROPOSED TRANSACTIONS

On July 19, 2013, the Company's shelf registration statement filed with the United States Securities and Exchange Commission on Form F-3 became effective. The shelf prospectus provides for the potential offering in the United States of up to an aggregate amount of US$50 million of Transition's common shares, warrants, or a combination thereof, from time to time in one or more offerings until July 19, 2016. Utilization of the US shelf prospectus is dependent upon meeting certain market capitalization thresholds at the time of financing.

OUTSTANDING SHARE DATA

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

Issued and Outstanding

The following details the issued and outstanding equity securities of the Company:

Common Shares

As at May 9, 2014, the Company has 32,004,793 common shares outstanding.

Stock Options

As at May 9, 2014 the Company has 1,671,199 stock options outstanding with exercise prices ranging from $2.09 to $4.29 and various expiry dates extending to June 30, 2023. At May 9, 2014, on an if-converted basis, these stock options would result in the issuance of 1,671,199 common shares at an aggregate exercise price of $4,909,967.

RISKS AND UNCERTAINTIES

The Company's risks and uncertainties are as described in the Company's annual MD&A, which can be found on SEDAR at www.SEDAR.com.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine and three month periods ended March 31, 2014 and 2013
(Unaudited)

CONSOLIDATED BALANCE SHEETS

(Unaudited, in Canadian dollars)

	Note	As at March 31, 2014 $	As at June 30, 2013 $
Assets			
Current assets			
Cash		48,834,630	23,067,937
Short term investments	7	4,063,819	5,057,702
Other receivables		33,366	35,792
Investment tax credits receivable		176,515	180,652
Prepaid expenses and deposits		119,608	359,164
		53,227,938	28,701,247
Non-current assets			
Property and equipment		144,370	168,034
Intangible assets	8	8,158,464	8,938,674
Total assets		61,530,772	37,807,955
Liabilities			
Current liabilities			
Trade and other payables		4,243,321	874,149
Current portion of contingent consideration payable		-	2,321,373
		4,243,321	3,195,522
Non-current liabilities			
Contingent considerations payable	9	4,070,610	1,434,958
Leasehold inducement		14,290	22,863
		8,328,221	4,653,343
Equity attributable to owners of the Company			
Share capital	11	191,644,874	165,367,524
Warrants	11	2,025,839	-
Contributed surplus	11	14,768,221	14,768,002
Share-based payment reserve	11	2,748,783	2,352,002
Deficit		(157,985,166)	(149,332,916)
		53,202,551	33,154,612
Total liabilities and equity		61,530,772	37,807,955
Contingencies and commitments	14		

These notes are an integral part of these consolidated financial statements.

On behalf of the Board:

Tony Cruz, Director

Christopher Henley, Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the nine and three month periods ended March 31, 2014 and 2013
(Unaudited, in Canadian dollars)

	Note	Nine month period ended March 31, 2014 $	Nine month period ended March 31, 2013 $	Three month period ended March 31, 2014 $	Three month period ended March 31, 2013 $
Revenues					
Licensing fees		-	10,815,200	-	-
Expenses					
Research and development	12	6,902,901	6,576,336	4,734,288	2,380,533
Selling, general and administrative expenses	12	3,052,958	2,537,199	1,131,879	870,857
Change in fair value of contingent consideration payable	9	(2,781,907)	-	(2,781,907)	-
Settlement of a pre-existing relationship	4	3,101,507	-	3,101,507	-
Operating Income (loss)		(10,275,459)	1,701,665	(6,185,767)	(3,251,390)
Interest income		163,869	107,448	61,001	38,959
Foreign exchange gain		1,467,310	269,068	1,065,444	309,100
Loss on disposal of capital assets		(7,970)	-	(7,970)	-
Net income (loss) and comprehensive income (loss) for the period		(8,652,250)	2,078,181	(5,067,292)	(2,903,331)
Basic and diluted net income (loss) per common share	13	(0.29)	0.08	(0.17)	(0.11)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine month periods ended March 31, 2014 and 2013
(Unaudited, in Canadian dollars)

	Note	Number of common shares #	Share capital $
Balance, July 1, 2013		26,930,634	165,367,524
Net loss and comprehensive loss for the period		-	-
Issued pursuant to private placements, net	11	4,880,940	25,254,944
Share options exercised, expired or cancelled	11	193,219	1,022,406
Share-based payment compensation expense	11	-	-
Balance, March 31, 2014		32,004,793	191,644,874
Balance, July 1, 2012		26,921,302	165,334,259
Net income and comprehensive income for the period		-	-
Share options expired, forfeited or cancelled	11	-	-
Share-based payment compensation expense	11	-	-
Balance, March 31, 2013		26,921,302	165,334,259

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

	Attributable to equity holders of the company				
	Warrants $	Contributed surplus $	Share-based payment reserve $	Deficit $	Total equity $
	-	14,768,002	2,352,002	(149,332,916)	33,154,612
	-	-	-	(8,652,250)	(8,652,250)
	2,025,839	-	-	-	27,280,783
	-	219	(390,843)	-	631,782
	-	-	787,624	-	787,624
	2,025,839	14,768,221	2,748,783	(157,985,166)	53,202,551
	-	13,168,411	2,977,032	(149,356,213)	32,123,489
	-	-	-	2,078,181	2,078,181
	-	1,076,991	(1,076,991)	-	-
	-	-	821,118	-	821,118
	-	14,245,402	2,721,159	(147,278,032)	35,022,788

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine and three month periods ended March 31, 2014 and 2013
(Unaudited, in Canadian dollars)

	Note	Nine month period ended March 31, 2014 $	Nine month period ended March 31, 2013 $	Three month period ended March 31, 2014 $	Three month period ended March 31, 2013 $
Cash flows from operating activities					
Net income (loss) for the period		(8,652,250)	2,078,181	(5,067,292)	(2,903,331)
Adjustments for:					
Change in fair value of contingent consideration payable	9	(2,781,907)	-	(2,781,907)	-
Settlement of a pre-existing relationship	9	3,096,186	-	3,096,186	-
Depreciation and amortization		787,434	1,367,273	255,416	456,266
Share-based payment compensation expense		787,624	821,118	188,858	203,594
Loss on disposal of capital assets		7,970	-	7,970	-
Accrued interest		883	3,216	(18,246)	(32,114)
Unrealized foreign exchange (gain) loss		(1,477,907)	24,621	(1,334,412)	(323,573)
Change in working capital	15	3,615,291	(326,106)	4,195,073	231,503
Net cash provided by (used in) operating activities		(4,616,676)	3,968,303	(1,458,354)	(2,367,655)
Cash flows from investing activities					
Maturity of short term investments		4,018,000	7,089,088	-	1,006,075
Purchase of short term investments		(3,025,000)	(6,063,747)	-	-
Purchase of property and equipment		(9,103)	(10,772)	(3,332)	(4,515)
Proceeds from disposal of capital assets		9,000	-	9,000	-
Net cash provided by (used in) investing activities		992,897	1,014,569	5,668	1,001,560
Cash flows from financing activities					
Net proceeds from private placements	11	27,280,783	-	16,363,028	-
Proceeds from share options exercised	11	631,782	-	248,242	-
Net cash provided by financing activities		27,912,565	-	16,611,270	-
Foreign exchange gains/(losses) on cash and cash equivalents		1,477,907	(24,621)	1,334,412	323,573
Net increase in cash and cash equivalents		25,766,693	4,958,251	16,492,996	(1,042,522)
Cash and cash equivalents at beginning of period		23,067,937	12,955,081	32,341,634	18,955,854
Cash and cash equivalents at end of period		48,834,630	17,913,332	48,834,630	17,913,332

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

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Transition Therapeutics Inc. and its subsidiaries (together the Company or Transition) was incorporated by Articles of Incorporation under the Business Corporations Act (Ontario) on July 6, 1998. The Company is a public company with common shares listed on both the NASDAQ and Toronto Stock Exchange and is incorporated and domiciled in Canada. The address of its registered office is 101 College Street, Suite 220, Toronto, Ontario, Canada.

The Company is a product-focused biopharmaceutical company developing therapeutics for disease indications with large markets. The Company's lead CNS drug candidate is ELND005 for the treatment of Alzheimer's disease and Down syndrome. Transition's lead metabolic drug candidate is TT401 for the treatment of type 2 diabetes and accompanying obesity.

The success of the Company is dependent on bringing its products to market, obtaining the necessary regulatory approvals and achieving future profitable operations. The continuation of the research and development activities and the commercialization of its products are dependent on the Company's ability to successfully complete these activities and to obtain adequate financing through a combination of financing activities and operations. It is not possible to predict either the outcome of future research and development programs or the Company's ability to fund these programs going forward.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board for interim financial statements, including IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared using the historical cost convention except for the revaluation of certain financial assets and financial liabilities to fair value, including the contingent consideration payable.

The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the annual consolidated financial statements for the year ended June 30, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Directors approved the interim consolidated financial statements for issuance on May 9, 2014. The significant accounting policies that have been applied in the preparation of these interim consolidated financial statements are described in the Company's annual financial statements for the year ended June 30, 2013 and have been applied to all periods presented except the following accounting policies, which have been adopted effective July 1, 2013:

IFRS 10 – Consolidated Financial Statement, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaced SIC-12, Consolidation – Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of IFRS 10 did not impact the Company's interim consolidated financial statements;

IFRS 12 – Disclosure of Interests in Other Entities establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interest in other entities. The adoption of this IFRS will require additional disclosures in the annual consolidated financial statements;

IFRS 13 – Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in a transaction between market participants, at the measurement date. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any adjustments as at July 1, 2013.

4. GLOBAL COLLABORATION AGREEMENT WITH PERRIGO COMPANY PLC

On December 18, 2013, Perrigo Company plc "(Perrigo") completed its acquisition of Elan Pharmaceuticals PLC ("Elan") and all its subsidiaries. With this acquisition, Perrigo acquired all the rights and obligations of Elan under the collaboration agreement with Waratah, a wholly owned subsidiary, for the development and commercialization of ELND005.

On February 28, 2014, through a series of transactions, the Company's newly obtained wholly owned Irish subsidiary, Transition Therapeutics Ireland Limited acquired all of the development and commercialization rights of the ELND005 drug candidate from Perrigo. The accounting for this transaction, in accordance with IFRS, required significant judgment. Based on management's review and assessment of the agreements entered into as well as the existing rights of the Company under the collaboration agreement with Elan, management determined that the transactions entered into resulted in the re-acquisition of the rights to the development and commercialization of ELND005 which in accordance with IFRS must be accounted for as a settlement of a pre-existing relationship (the collaboration agreement between Waratah and Elan). Accordingly, the Company has recognized a settlement on a pre-existing relationship in the amount of $3,101,507 in the statement of income (loss).

In parallel with this acquisition, the Company issued 2,255,640 common shares for cash consideration of US$15 million. In addition, Perrigo is eligible to receive up to US$40 million in approval and commercial milestone payments and 6.5% royalties on net sales of ELND005 products and sublicense fees received. The milestone payments meet the definition of a financial liability and accordingly, the Company has recorded the contingent consideration payable at fair value. The Company's Irish subsidiary will be responsible for all future development and commercialization activities of the ELND005 drug candidate.

5. FINANCIAL RISK MANAGEMENT

5.1 Categories of financial assets and liabilities

All financial instruments are measured at amortized cost except for the contingent consideration payable which is at fair value. The following table outlines the Company's financial instruments, their classification, carrying value and fair value.

Financial Instruments as at March 31, 2014	Classification	Carrying Value $	Fair Value $
Cash	Loans and receivables	48,834,630	48,834,630
Short term investments	Loans and receivables	4,063,819	4,063,819
Accounts payable and accrued liabilities	Other liabilities	4,243,321	4,243,321
Contingent consideration payable	Fair value through profit and loss	4,070,610	4,070,610

Financial Instruments as at June 30, 2013	Classification	Carrying Value $	Fair Value $
Cash	Loans and receivables	23,067,937	23,067,937
Short term investments	Loans and receivables	5,057,702	5,057,212
Accounts payable and accrued liabilities	Other liabilities	874,149	874,149
Contingent consideration payable	Fair value through profit and loss	3,756,331	3,756,331

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Fair value of the short term investments is determined based on a valuation model that uses daily pricing reports to determine the amount the holder would receive if the instrument were sold on that day.

The contingent consideration is measured at fair value based on level 3 inputs. The contingent consideration is not based on observable inputs and is measured using a discounted cash flow analysis of expected payments in future periods. The significant estimates used in the fair value calculations are as follows:

(a) Management has estimated the timing of the milestone payments based on current expectations and plans for the development of ELND005. The milestone payments are assigned a probability based on industry statistics for the successful development of pharmaceutical products. An increase of 10% applied to the probability assumptions, with all other variables held constant, will increase the contingent consideration payable by $1,328,000. Conversely a decrease of 10% applied to the probability assumptions, with all other variables held constant, would decrease the contingent consideration payable by $1,328,000;

(b) The probability adjusted cash flows are discounted at a rate of 23% which is management's best estimate of the Company's cost of capital. An increase of 5% to the discount rate would decrease the contingent consideration payable by $910,000. Conversely, a decrease of 5% to the discount rate would increase the contingent consideration payable by $1,247,000.

5.2 Foreign exchange risk

The Company operates in Canada and has relationships with entities in other countries. Foreign exchange risk arises from purchase transactions, as well as recognized financial assets and liabilities denominated in foreign currencies, mainly the US dollar. The Company does not enter into hedging or other contracts to mitigate its exposure to foreign exchange risk and maintains sufficient US dollars to meet the Company's planned US dollar expenses.

March 31, 2014 (Unaudited, in Canadian dollars)

Balances in foreign currencies at March 31, 2014 and June 30, 2013 are approximately:

	March 31, 2014 US$	June 30, 2013 US$
Cash and cash equivalents	39,089,581	15,953,520
Trade and other payables	(3,272,766)	(336,561)
	35,816,815	15,616,959

Fluctuations in the US dollar exchange rate could potentially have a significant impact on the Company's results. At March 31, 2014, if the Canadian dollar weakened 10% against the US dollar, with all other variables held constant, comprehensive loss for the nine month period ended March 31, 2014 would have decreased by approximately $2,272,000. Conversely, if the Canadian dollar strengthened 10% against the US dollar, with all other variables held constant, comprehensive loss for the nine month period ended March 31, 2014 would have increased by approximately $2,272,000.

6. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to ensure its ability to continue as a going concern in order to pursue the development of its drug candidates and the out-license of these drug candidates to pharmaceutical companies. The Company attempts to maximize return to shareholders by minimizing shareholder dilution and, when possible, utilizing non-dilutive funding arrangements such as interest income and collaborative partnership arrangements.

The Company includes equity comprised of issued share capital, contributed surplus and deficit in the definition of capital. The Company has financed its capital requirements primarily through share issuances since inception and collaborative partnership agreements.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. The Company monitors its cash requirements and market conditions to anticipate the timing of requiring additional capital to finance the development of its drug candidates. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy during the nine month period ended March 31, 2014 from the year ended June 30, 2013.

The Company's current cash projection indicates that the current cash resources should enable the Company to execute its core business plan and meet its projected cash requirements beyond the next 12 months. However, the Company's working capital may not be sufficient to meet its stated business objectives in the event of unforeseen circumstances or a change in the strategic direction of the Company. When, or if, the Company requires additional capital, there can be no assurance that the Company will be able to obtain further financing on favourable terms, if at all.

7. SHORT TERM INVESTMENTS

Short term investments consist of medium term note debentures totaling $4,063,819 at March 31, 2014 [June 30, 2013 – $5,057,702] with ratings of R1or higher and maturity dates between April 8, 2014 and November 28, 2014. There were no gains or losses realized on the disposal of the short term investments during the nine month period ended March 31, 2014 or in the year ended June 30, 2013 as all the financial assets were held to their redemption date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and short term investments.

8. INTANGIBLE ASSETS

Intangible assets consist of the following:

	ENI Technology acquired (ELND005) $	Lilly Licenses acquired (TT401/402) $	Total $
As at July 1, 2013			
Cost	20,547,993	1,055,900	21,603,893
Accumulated amortization	(12,488,792)	(176,427)	(12,665,219)
Net book value July 1, 2013	8,059,201	879,473	8,938,674
As at March 31, 2014			
Cost	20,547,993	1,055,900	21,603,893
Accumulated amortization	(13,229,405)	(216,024)	(13,445,429)
Net book value March 31, 2014	7,318,588	839,876	8,158,464
Period ended March 31, 2014			
Opening net book value	8,059,201	879,473	8,938,674
Amortization charge	(740,613)	(39,597)	(780,210)
Net book value March 31, 2014	7,318,588	839,876	8,158,464

	ENI Technology acquired (ELND005) $	NMX Compounds acquired (TT301/302) $	Lilly Licenses acquired (TT401/402) $	Total $
As at July 1, 2012				
Cost	20,547,993	11,085,259	1,055,900	32,689,152
Accumulated amortization	(11,501,321)	(3,800,410)	(123,631)	(15,425,362)
Net book value July 1, 2012	9,046,672	7,284,849	932,269	17,263,790
As at June 30, 2013				
Cost	20,547,993	11,085,259	1,055,900	32,689,152
Accumulated amortization and impairment	(12,488,792)	(11,085,259)	(176,427)	(23,750,478)
Net book value June 30, 2013	8,059,201	-	879,473	8,938,674
Year ended June 30, 2013				
Opening net book value	9,046,672	7,284,849	932,269	17,263,790
Amortization charge	(987,471)	(739,028)	(52,796)	(1,779,295)
Impairment charge	-	(6,545,821)	-	(6,545,821)
Net book value June 30, 2013	8,059,201	-	879,473	8,938,674

March 31, 2014 (Unaudited, in Canadian dollars)

The amortization and impairment charges of all intangible assets relates to the research and development efforts of the Company and has therefore been included in the "research and development" line in the consolidated statement of comprehensive income (loss).

9. CONTINGENT CONSIDERATION PAYABLE

(a) Under the terms of the ENI step-acquisition agreement, the Company is committed to pay the former shareholders of ENI contingent clinical milestones potentially totaling $10.9 million payable in cash or Transition common shares at the then market price and a royalty of up to 1% on net sales of the ELND005 product. The contingent consideration is required to be measured as a financial liability at fair value and re-measured at each reporting date. Accordingly, the Company has recognized a liability as at March 31, 2014 of $974,424 (June 30, 2013 - $3,756,311) which represents the fair value of the contingent consideration payable to the former shareholders of ENI.

(b) Under the terms of the ELND005 milestone and royalty agreement, the Company is committed to pay Perrigo contingent approval and commercialization milestones potentially totaling US$40 million and a royalty of up to 6.5% on net sales of the ELND005 product. The contingent consideration is required to be measured as a financial liability at fair value and re-measured at each reporting date. Accordingly, the Company has recognized a liability as at March 31, 2014 of $3,096,186 (June 30, 2013 - nil) which represents the fair value of the contingent consideration payable to Perrigo (note 4).

Contingent Consideration Payable	Payable to ENI $	Payable to Perrigo $	Total $
Balance at beginning of period	3,756,331	-	3,756,331
Change in contingent consideration payable	(2,781,907)	-	(2,781,907)
Settlement of pre-existing relationship	-	3,101,507	3,101,507
Foreign exchange	-	(5,321)	(5,321)
Balance at end of period	974,424	3,096,186	4,070,610

10. LICENSING AND COLLABORATION AGREEMENTS WITH ELI LILLY AND COMPANY

(a) On March 3, 2010, Transition and Eli Lilly and Company ("Lilly") entered into a licensing and collaboration agreement granting Transition the rights to a series of preclinical compounds in the area of diabetes. Under the licensing and collaboration agreement, Transition will receive exclusive worldwide rights to develop and potentially commercialize a class of compounds that, in preclinical models showed potential to provide glycemic control and other beneficial effects including weight loss.

Under the terms of the agreement, Lilly received an up-front payment of US$1 million and retained the option to reacquire the rights to the compounds at a later date. The up-front payment of $1,055,900 (US$1 million) has been capitalized as a license acquired from Lilly and will be amortized over 20 years which represents the estimated remaining life of the underlying compounds and patents.

In June 2013, Lilly exercised their option and assumed all development and commercialization rights to type 2 diabetes drug candidate TT401. In conjunction with this assumption of rights, Transition received a milestone payment of $7,118,300 (US$7 million) which has been recognized as revenue during the year ended June 30, 2013. Lilly will assume all costs and perform all future development and commercialization activities of TT401, and Transition will pay US$14 million to Lilly in three separate installments during the Phase 2 clinical study. In return, Transition is eligible to receive up to approximately US$240 million in additional milestone payments and will also be eligible to receive a double-digit royalty on sales of TT401 products and a low single digit royalty on related compounds.

(b) On July 23, 2013, the Company entered into an exclusive licensing agreement with Lilly for the worldwide rights to a novel small molecule transcriptional regulator ("TT601") for the treatment of osteoarthritis pain.

Under the terms of the agreement, Transition has acquired the rights to develop and potentially commercialize TT601. On April 7, 2014, the Company announced there would be no further development of TT601. This decision was made after expanded toxicology study data and regulatory interactions revealed the development plan would be restricted and timelines delayed. Under the terms of the agreement with Lilly, the rights to TT601 have been returned to Lilly and the Company has no further funding obligations to Lilly for the development of TT601.

11. SHARE CAPITAL

Authorized

At March 31, 2014, the authorized share capital of the Company consists of an unlimited number of no par value common shares. The common shares are voting and are entitled to dividends if, as and when declared by the board of directors.

Common shares issued and outstanding during the period

On August 15, 2013, the Company announced the closing of its private placement financing issuing 2,625,300 units of the Company to existing shareholders, board members and management at a price of US$4.19 per unit, raising gross proceeds of $11,439,000 (US$11.0 million). Each unit consists of (i) one common share, (ii) 0.325 Common Share purchase warrant with a purchase price of US$4.60 per whole warrant and (iii) 0.4 Common Share purchase warrant with a purchase price of US$6.50 per whole warrant. The Company incurred total share issuance costs of $521,000, resulting in net cash proceeds of approximately $10,918,000.

On February 28, 2014, the Company issued 2,255,640 common shares issued to a subsidiary of Perrigo for gross proceeds of $16,422,000 (US$15.0 million). The Company incurred total share issuance costs of $59,000, resulting in net cash proceeds of approximately $16,363,000.

At March 31, 2014, there were 32,004,793 common shares issued and outstanding.

Warrants

In connection with the Company's private placement, on August 15, 2013, the Company issued 853,223 full warrants with a purchase price of US$4.60 and 1,050,118 full warrants with a purchase price of US$6.50. Each whole warrant will entitle the holder, within two years of the closing date, to purchase one additional common share in the capital of the Company.

March 31, 2014 (Unaudited, in Canadian dollars)

The warrants have a total fair value of $2,025,839 which was calculated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	1.18%
Expected dividend yield	0%
Stock price volatility	0.6348
Expected life of warrants	2.0 years

If and when all of the warrants are exercised, the Company may realize up to an additional US$10.7 million in proceeds. All unexercised warrants will expire on August 15, 2015.

Stock Options

Stock options	#	$	Weighed Average Exercise Price $
Stock options outstanding, July 1, 2013	1,872,000	2,352,002	2.97
Stock options exercised [i]	(193,219)	(390,624)	3.27
Stock options forfeited or cancelled [ii]	(7,582)	(219)	2.90
Stock based compensation expense		787,624	-
Stock options outstanding, March 31, 2014	**1,671,199**	**2,748,783**	**2.94**

Stock options	#	$	Weighed Average Exercise Price $
Stock options outstanding, July 1, 2012	1,949,919	2,977,032	4.10
Stock options expired [iii]	(127,920)	(667,734)	13.59
Stock options forfeited or cancelled [ii]	(178,000)	(409,257)	3.60
Stock based compensation expense	-	821,118	-
Stock options outstanding, March 31, 2013	1,643,999	2,721,159	3.37

[i] During the nine month period ended March 31, 2014, 193,219 stock options were exercised. These options had a fair value of $390,624 and resulted in cash proceeds to the Company of $631,782. There were no options exercised during the comparative period ended March 31, 2013.

[ii] During the nine month period ended March 31, 2014, 7,582 stock options were forfeited or cancelled. These options had a fair value of $15,675 and at the date of forfeit, 83 were vested and 7,499 were unvested. The vested options had a fair value of $219 which has been reclassified to contributed surplus. During the nine month period ended March 31, 2013, 178,000 stock options were forfeited or cancelled. These options had a fair value of $409,257 and were vested at the date of forfeit.

[iii] During the comparative period ended March 31, 2013, 127,920 stock options expired unexercised. These stock options had a fair value of $667,734 which has been reclassified to contributed surplus.

[iv] The maximum possible cash proceeds to the Company from the exercise of the stock options outstanding at March 31, 2014 are $4,909,967 [June 30, 2013 - $5,563,736].

12. EXPENSES BY NATURE

	Nine month period ended March 31, 2014 $	Nine month period ended March 31, 2013 $	Three month period ended March 31, 2014 $	Three month period ended March 31, 2013 $
Research and development				
Clinical trials and manufacturing	4,514,394	3,917,351	3,813,214	1,458,029
Amortization	784,670	1,354,475	254,119	451,492
Salaries and benefits	1,222,287	947,792	582,309	331,796
Stock compensation expense	323,683	345,199	79,392	89,951
Facility lease costs and utilities	136,069	132,724	55,220	44,445
Insurance	61,209	69,831	20,403	22,937
General laboratory supplies and materials	69,145	58,798	27,790	21,277
Ontario investment tax credits	(208,556)	(249,834)	(98,159)	(39,394)
	6,902,901	6,576,336	4,734,288	2,380,533
Selling, general and administrative expenses				
Salaries and benefits	1,064,079	1,027,828	348,101	344,596
Professional fees and services	646,382	311,209	318,892	85,179
Insurance	167,957	192,115	55,985	63,103
Stock compensation expense	463,941	475,919	109,466	113,643
Facility lease costs and utilities	114,015	111,308	38,119	37,948
Business development, corporate communication and investor relations	375,402	208,526	152,572	112,591
Regulatory and stock transfer fees	109,342	91,914	73,668	69,507
Office and related expenses	109,076	105,582	33,779	39,516
Amortization	2,764	12,798	1,297	4,774
	3,052,958	2,537,199	1,131,879	870,857

13. EARNINGS (LOSS) PER SHARE

Basic and diluted loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year. Outstanding options to purchase common shares of 1,671,199 [June 30, 2013 – 1,872,000] are not included in the calculation of diluted earnings per share as the effect is anti-dilutive due to losses incurred in the nine and three month periods ended March 31, 2014, and the three month period ended March 31, 2013, and also due to the fact that the option exercise price exceeded the average market value of the Company's common shares for the nine month period ended March 31, 2013.

During the three month period ended March 31, 2014, the average share price was $7.61. Thus, all warrants were in the money, but similar to options they have an anti-dilutive impact and are thus excluded from the calculation of diluted earnings per share.

March 31, 2014 (Unaudited, in Canadian dollars)

During the nine month period ended March 31, 2014, the average share price was $5.66. Thus, 853,223 warrants with a purchase price of US$4.60 are in the money, but similar to options they have an anti-dilutive impact and are thus excluded from the calculation of diluted earnings per share.

For the nine and three month periods ended March 31, 2014 and 2013, 79,908 contingently returnable common shares were excluded from the basic and diluted net loss per common share calculation. The contingently returnable common shares relate to employment contracts and will be released from escrow based on the achievement of certain corporate milestones.

	Nine month period ended March 31, 2014 $	Nine month period ended March 31, 2013 $	Three month period ended March 31, 2014 $	Three month period ended March 31, 2013 $
Income (loss) attributable to equity holders of the Company	($8,652,250)	$2,078,181	($5,067,292)	($2,903,331)
Weighted average number of common shares outstanding	29,387,670	26,841,394	30,436,650	26,841,394

14. CONTINGENCIES AND COMMITMENTS

At March 31, 2014, the Company is committed to aggregate expenditures of $15,477,000 under its collaboration agreements [June 30, 2013 -$14,732,000]. In addition, at March 31, 2014, the Company is committed to aggregate expenditures of approximately $18,892,000 [June 30, 2013 - $187,000] for clinical and toxicity studies to be completed during fiscals 2014 and 2015, approximately $1,377,000 [June 30, 2013 - $244,000] for manufacturing agreements and approximately $9,000 [June 30, 2013 - $11,000] for consulting and other agreements.

15. CHANGE IN WORKING CAPITAL

The change in working capital consists of the following:

	Nine month period ended March 31, 2014 $	Nine month period ended March 31, 2013 $	Three month period ended March 31, 2014 $	Three month period ended March 31, 2013 $
Trade and other receivables	2,426	(10,217)	49,431	(5,467)
Investment tax credits receivable	4,137	76,886	114,534	205,224
Prepaid expenses and deposits	239,556	(156,052)	310,955	(14,301)
Trade and other payables	3,369,172	(236,723)	3,720,153	46,047
	3,615,291	(326,106)	4,195,073	231,503

16. RELATED PARTY TRANSACTIONS

Key management compensation

Key management includes the Company's directors, and members of the senior management team. The compensation paid or payable to key management for employee services is shown below:

	Nine month period ended March 31, 2014 $	Nine month period ended March 31, 2013 $	Three month period ended March 31, 2014 $	Three month period ended March 31, 2013 $
Salaries and other short-term employee benefits	1,149,670	1,084,070	393,533	359,388
Stock-compensation expenses	685,616	700,154	164,110	173,051
	1,835,286	1,784,224	557,643	532,439

17. SEGMENT DISCLOSURE

The Company operates in one operating segment, the research and development of therapeutic agents, and operates in Canada. All revenues recognized during the comparative nine month period ended March 31, 2013 are from one partner, Elan Pharma International Limited, a company based in Ireland.

BOARD OF DIRECTORS

Michael R. D. Ashton: Independent consultant to the pharmaceutical industry and former CEO of SkyePharma PLC
Paul Baehr: President, CEO and Chairman of IBEX Technologies Inc.
Dr. Tony Cruz: Chairman and CEO of Transition Therapeutics Inc.
Christopher Henley: President of Henley Capital Corporation
Dr. Gary W. Pace: Chairman and Founder of Sova Pharmaceuticals Inc., Founder, Director and former Chairman and CEO of QRxPharma Ltd.

CORPORATE INFORMATION

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Executive Officers

Dr. Tony Cruz, Chairman and CEO
Nicole Rusaw, CFO
Dr. Aleksandra Pastrak, VP Clinical Development and Medical Officer
Carl Damiani, VP Business Development
Dr. Bruce Connop, VP Non-Clinical & Pharmaceutical Development

Auditors

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Toronto, Ontario, Canada

Transfer Agents

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Tel. 800-564-6253

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Computershare Trust Company, NA
Tel. 303-262-0600

LEGAL COUNSEL

Securities:

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USA:
Brett Cooper, Orrick, Herrington & Sutcliffe LLP

CORPORATE SECRETARY

Louis Alexopoulos, Sotos LLP

CORPORATE WEBSITE

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