U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended February 28, 2014

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission file number: 000-52735

METASTAT, INC.

(Exact name of Registrant as Specified in Its Charter)

NEVADA	**20-8753132**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
8 Hillside Drive, Suite 207 Montclair, New Jersey	**07042**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(973) 744-7618**

SECURITIES REGISTERED PURSUANT TO SECTION 12 (B) OF THE ACT: **NONE**

SECURITIES REGISTERED PURSUANT TO SECTION 12 (G) OF THE ACT:

COMMON STOCK, PAR VALUE $0.0001 PER SHARE

Name of each exchange on which registered: **The OTC Bulletin Board**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	[ ]	Non-accelerated filer	[ ]
Accelerated filer	[ ]	Smaller reporting company	[X]
(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] No

The aggregate market value of the shares of common stock, par value $0.0001 per share, of the registrant held by non-affiliates on August 31, 2013 was $34,226,000, which was computed upon the basis of the closing price on that date.

There were 21,623,899 shares of common stock of the registrant outstanding as of June 11, 2014.

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INTRODUCTORY NOTE

Except as otherwise indicated by the context, references in this Annual Report on Form 10-K (this "Form 10-K") to the "Company," "MetaStat," "we," "us" or "our" are references to the combined business of MetaStat, Inc., a Nevada corporation, and its consolidated subsidiary.

Special Note Regarding Forward-Looking Statements

The statements contained in this Form 10-K, including under the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of this Form 10-K, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements regarding our or our management's expectations, hopes, beliefs, intentions or strategies regarding the future. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "plan" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained in this Form 10-K are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described in the section titled "Risk Factors." Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I

Item 1. BUSINESS

Overview

We are a development stage life sciences company that is focused on developing and commercializing novel diagnostic technologies and therapeutics for the early and reliable prediction and treatment of systemic metastasis - cancer that spreads from a primary tumor through the bloodstream to other areas of the body. Systemic metastasis is responsible for ~90% of all solid tumor cancer related deaths. As such, we believe that more effective treatment of metastatic disease and/or the prevention of systemic metastasis is needed to improve patient outcomes.

MetaStat's licensed proprietary platform technologies are based on the identification of a common pathway for the development of metastatic disease in solid epithelial-based tumors. These discoveries are the result of almost 20 years of collaboration with four scientific/academic institutions including Massachusetts Institute of Technology ("MIT"), the Albert Einstein College of Medicine of Yeshiva University ("Einstein"), Cornell University ("Cornell"), and the IFO-Regina Elena Cancer Institute ("IFO-Regina" and, collectively with MIT, Einstein, and Cornell, the "Licensors") that enabled us to understand the underlying biology and mechanisms of systemic metastasis. Central to these discoveries are i) the pivotal role of the Mena protein and its isoforms in the metastatic cascade, and ii) the "MetaSite" the micro-anatomical site, or "window" in the blood vessels that metastatic cells squeeze through to enter the blood stream to begin their deadly spread, both of which are described in greater detail herein.

We are developing function-based diagnostic tests with an initial focus on breast cancer. Further, we believe that our MenaCalc™ platform of diagnostic assays, based on the measurement of the balance of the Mena protein isoforms, is broadly applicable in solid epithelial-based cancers, including breast, prostate, lung and colorectal. Our diagnostics are designed to accurately predict the probability of systemic metastasis and to allow clinicians to better "customize" cancer treatment decisions by positively identifying patients with a high-risk of systemic metastasis who need aggressive therapy and by sparing patients with a low-risk of systemic metastasis from the harmful side effects and expense of chemotherapy. We anticipate commencing initial marketing of our breast cancer diagnostic in 2015 followed by diagnostics for other cancer indications in 2016 and beyond.

Additionally, we are developing our therapeutic program that aims to build upon our unique understanding of mena biology and alternative splicing events as drivers of disease progression. This allows us to identify important and novel targets against which we can potentially develop new classes of chemotherapy.

Scientific Background

Our licensed technologies are based on novel ways of observing the behavior and mechanisms of metastatic cancer cells in tumors. As described in *Nature / Nature Methods* in December 2008, the Licensors' research team(s) invented and patented several tools that led to the discovery of our platform technologies, including an Intra-vital Imaging Window (the ability to capture images in a live animal) that is used in conjunction with multi-photon microscopy to directly observe how metastatic cells move inside living functioning tumors. The Licensors' research team(s) then invented and patented an artificial blood vessel that enabled us to attract a genetically discrete population of highly metastatic cells that allowed us to describe in detail the gene signature characteristic of tumor cells with high metastatic potential within intact primary tumors in living animals, which was described in *BMC Biotechnology* in 2003. The Licensors' research team(s) were the first to discover and explain how and why metastatic cells are attracted to blood vessels, which was described in *Clinical Cancer Research* in April 2009. Through direct visual observation, we discovered the micro-anatomical site, or "window" in the blood vessels that metastatic cells squeeze through to enter the blood stream to begin their deadly spread. This window or site was named the "Tumor Microenvironment of Metastasis" or "TMEM." The TMEM is a trio of cells present together in the same microanatomic site: an endothelial cell (a type of cell that lines the blood vessels), a perivascular macrophage (a type of immune cell found near blood vessels), and a tumor cell that produces the protein Mena. For convenience and ease of description, we have re-named this site of metastasis the "MetaSite."

The Licensors' research team(s) reasoned that the density of these "windows" or MetaSites present in a tumor tissue sample correlated to the probability of distant site metastasis, as detailed in *Clinical Cancer Research* in April 2009. This is the basis of our MetaSite *Breast* ™ test, which is more fully described herein.

In continued research through collaborative studies by the Licensors' research team(s), the Mena protein and its isoforms were shown to enhance a cancer cell's invasiveness by helping cancer cells subvert normal regulatory networks regulating cell motility. These findings were published in *Development Cell* in December 2008. Cancer cells are thereby enabled to invade surrounding tissues and migrate toward and penetrate blood vessels. Mena is a member of a family of proteins known as vasodilator-stimulated phosphoprotein, or VASP proteins, which regulate cell motility by controlling the geometry of assembling actin fiber networks. The growth and elongation of actin fibers, part of the cell's cytoskeleton, are controlled by a process that caps their ends. Mena interferes with the actin capping allowing the actin fibers to lengthen by continuously polymerizing, thus pushing forward the leading edge of the cell. Mena also makes the cancer cells more sensitive to being attracted to blood vessels by epidermal growth factor ("EGF"). EGF is secreted by peri-vascular (associated with blood vessels) macrophages (one of the three cell types that constitute a MetaSite) and thus attracts and guides the migrant metastatic tumor cells to the MetaSite where they gain entry to the blood vessel and spread.

In research published in *Cancer Research* in March 2007, the Licensors' research team(s) discovered that Mena could be alternatively spliced to produce isoforms. These isoforms are slightly different sequences of the same amino acids that result in subtly different versions of the Mena protein. These small differences in Mena structure produce large differences in Mena protein effect. In further research published in *Development Cell* in December 2008, testing was done to compare the effects of the isoforms of Mena. Cancers expressing the invasive isoform of Mena, MenaINV, were compared with the less dangerous Mena isoforms including Mena11A. In a further experiment the invasive isoform of Mena caused the metastatic cancer cells that carried it to be up to forty times more sensitive to the chemo-attractant EGF.

The Licensors' research team(s) reasoned that individual metastatic potential of cancer could be detected by measurement of the relative amount of the isoforms of Mena, which was also published in *Development Cell* in December 2008. This is the basis of our MenaCalc™ diagnostic platform, which is more fully described below.

Further, in a proof-of-concept study published in a 2010 issue of *Breast Cancer Research*, the Licensors' research team(s) investigated the role of Mena in tumor progression and metastasis. They developed a "Mena null" mouse; a mouse unable to produce the Mena protein or its isoforms. These Mena null mice were crossbred with polyoma middle T oncoprotein or "PyMT" mice (mice genetically predisposed to spontaneously develop highly metastatic breast cancer tumors). These Mena null PyMT mice were compared to control PyMT mice. Both groups of mice developed breast cancer tumors; however the Mena null mice's tumors stayed localized while the control mice developed systemic metastasis. More importantly, all the control mice succumbed to metastatic disease while the Mena null mice showed significant survival advantage with most dying of old age.

The Problem

Cancer is a complex disease characterized most simply by uncontrolled growth and spread of abnormal cells. Cancer remains one of the world's most serious health problems and is the second most common cause of death in the United States after heart disease. The American Cancer Society ("ACS") reported that in 2012 nearly 1.7 million people in the United States and 12.7 million people worldwide were diagnosed with cancer. Further, the ACS predicted that there would be 232,340 new cases of breast cancer in 2013 and that 39,620 women will die from breast cancer in 2013.

When dealing with cancer, patients and physicians need to develop strategies for local, regional, and distant control of the disease. Ultimately, however, distant or metastatic disease is responsible for more than 90% of all cancer related deaths in patients with such common types of solid tumors as breast, prostate, lung and colon. Currently established clinical prognostic criteria such as the histopathologic grade of the tumor or tumor size do not successfully predict systemic metastatic potential. Even angiolymphatic invasion and the presence of regional lymph node involvement do not reliably correlate with subsequent systemic metastasis. This creates a dilemma for both patients and physicians as some patients require chemotherapy at the time of diagnosis of their tumor and others should be managed expectantly as they actually have a very small risk of developing metastatic disease. The morbidity and small mortality associated with a complete course of chemotherapy is ideally only warranted in patients who stand to benefit from this and should be avoided in patients with minimal metastatic risk. The actual benefit from chemotherapy is sometimes over-estimated as the benefit is only a 3% to 10% increase in 15-year survival in patients with breast cancer. To further illustrate the problem, 80% of patients with newly diagnosed breast cancer have historically been treated with chemotherapy. However, because only approximately 40% of these patients eventually relapse and develop metastatic disease, there is a significant subset of patients who are unnecessarily subjected to the acute and long-term side effects of current chemotherapeutic regimens.

In order to refine the quality of their diagnosis, pathologists may also use molecular staining techniques, including protein-specific staining in order to identify receptor sites that recognize hormones such as estrogen and progesterone and also the “Her-2/Neu” receptor. In breast cancer patients, oncologists may supplement this information by ordering the Onco*type* DX assay commercialized by Genomic Health, Inc., which has been endorsed by both the American Society of Clinical Oncology (“ASCO”) and the National Comprehensive Caner Network (“NCCN”), or one of the other proliferative diagnostic tests currently on the market. While these breast cancer assays, which primarily focus on gene-based diagnostics specific to proliferation (growth) of the tumor, have been useful and provide valuable information, they possess limitations. We believe these limitations include, but are not limited to: i) not being universally applicable to all new breast cancer cases, ii) being unable to provide an actionable recommendation for patients assigned to an intermediate risk classification, and iii) are based on statistical correlations.

As a result, we believe many cancer patients are misclassified as high risk when they are truly low risk for systemic metastasis or low risk when they are high risk for systemic metastasis, resulting in over-treatment for some and under-treatment for others.

Our Function-Based Diagnostic Solution

Through direct observation and our unique understanding of the process of systemic metastasis, our function-based diagnostics aim to accurately predict the probability of systemic metastasis in cancer patients and to allow clinicians to better "customize" cancer treatment decisions by positively identifying patients with a high-risk of systemic metastasis who need aggressive therapy and by sparing patients with a low-risk of systemic metastasis from the harmful side effects and expense of chemotherapy. Based on this approach, we are developing two patent protected diagnostic assays: (i) the MetaSite *Breast*™ test for early stage cancer patients and (ii) the MenaCalc™ platform of diagnostic assays for breast, prostate, lung and colorectal cancers. We anticipate commercializing both of these diagnostics, as we believe they will offer complimentary information that will allow even better risk stratification for each individual patient. We expect our breast cancer diagnostic, that uniquely leverages our MetaSite *Breast*™ test and our MenaCalc™ test for breast cancer (the “Breast Cancer Diagnostic”) to be commercially available in 2015 followed by MenaCalc™ diagnostics for lung and prostate in 2016 and beyond.

We believe our function-based diagnostic products will provide valuable and actionable information to treating physicians with the following benefits:

- ***Improved Quality of Treatment Decisions***. MetaStat’s approach to cancer diagnosis and prognosis should improve the quality of cancer treatment decisions by providing each patient with a probability of systemic metastasis. Our approach represents a substantial departure from existing approaches to treatment that often use statistically based or qualitative factors to determine treatments that are predominantly focused on proliferation. Our Breast Cancer Diagnostic including the MetaSite *Breast*™ test have been shown in clinical studies, such as data published in an April 2009 issue of *Clinical Cancer Research,* to allow physicians to accurately classify many patients into systemic metastasis risk categories different from classifications based primarily on tumor pathology grade and stage, thus enabling patients and physicians to make more informed decisions about treatment risk-benefit considerations and, consequently, design an individualized treatment plan according to each patient.

- ***Improved Economics of Cancer Care***. We believe that improving the quality of treatment decisions can result in significant economic benefits. For example, in early stage breast cancer, data shows that many patients are misclassified as high or low risk for systemic metastasis. Many low-risk patients misclassified as high-risk receive toxic and expensive chemotherapy treatment regimens they might not undergo if the risks were accurately assessed. Chemotherapy and related costs have been estimated to range from $20,000 to $100,000 per patient, as compared to the anticipated list price of $2,500 for our Breast Cancer Diagnostic. On the other hand, some high-risk breast cancer patients are misclassified as low-risk and are not provided chemotherapy treatment when it makes sense for them to receive such treatment, possibly necessitating future treatment that would be more expensive ($128,000 on average) if the cancer metastasizes.

Our Breast Cancer Diagnostic

Our commercial Breast Cancer Diagnostic is designed to provide the patient and her physician with an individual "Metastasis Score" for each of the MetaSite *Breast*™ and the MenaCalc™ breast test as well as an integrated "Metastasis Score," which we anticipate will provide the most actionable information.

We anticipate the list price for the Breast Cancer Diagnostic will be $2,500, which is considerably cheaper than the $4,290 list price of Genomic Health's Onco*type* DX test for breast cancer, one of the most commonly used breast cancer diagnostics. We arrived at our projected list price for the Breast Cancer Diagnostic test by calculating our costs. We accounted for processing the arriving tumor tissue samples and we considered the wholesale price of reagents and the time factor for machinery involved in the staining of the three relevant cell types involved. Additionally, we also analyzed technician and administrative time and included a calculation for professional fees for the supervising pathologist(s). Finally, after sales and marketing expenses, we added a commercially reasonable factor for profit margin. This list price is not based upon any indication of what the market may be willing to pay for the Breast Cancer Diagnostic test, and as such is a list price we hope to charge based on our internal costs.

The MetaSite Breast™ Test

The MetaSite *Breast*™ test is designed to be a clinical laboratory test pursuant to which we analyze Formalin Fixed Paraffin Embedded (FFPE) tumor tissue samples in our reference laboratory. We plan to provide physicians with information specific to the patient's tumor that predicts metastatic potential. The MetaSite *Breast*™ test is a tissue test that detects the presence and density of MetaSites or TMEMs. The test consists of a triple immunohistochemical stain containing antibodies to the three cell types found in the MetaSite. By delineating these windows, or MetaSites, we are able to establish the density of MetaSites, which correlates to the risk of systemic metastasis. Using predetermined cut-points, we aim to stratify patients into either low, intermediate or high risk of developing metastatic disease within ten years of diagnosis.

The MetaSite *Breast*™ test will not require additional procedures on the patient or new equipment for treating physicians. We expect that once a patient is diagnosed with breast cancer and a physician orders the test, the pathology lab at the hospital or cancer center will provide us with a FFPE tumor block or thin section from the biopsy specimen utilized for the diagnosis. These specimens are chemically preserved and embedded in paraffin wax and therefore require no special handling and can be sent via overnight mail to our central reference laboratory. Once we receive the tissue sample, our pathology laboratory would log the sample and begin the processing procedure. Our staff will perform immunostaining, the process of staining cells using antibody-based stains, and will repeat this process multiple times for quality assurance. We expect to analyze the tissue sample and deliver our "Metastasis Score" and analysis to the treating physician within one week of receipt of the tissue sample. This is well within the critical decision timeframe after the tumor has been surgically removed and typically well before the patient and the treating physician(s) discuss additional treatment options.

Clinical Development and Validation of the MetaSite Breast™ Test

The MetaSite *Breast*™ test has, thus far, been validated in three human clinical studies. The results of a 60 patient trial were published in the peer-reviewed journal, *Clinical Cancer Research* in April 2009, which described how the MetaSite *Breast*™ test was able to predict the probability of systemic metastasis. In this five year minimum retrospective analysis, thirty pairs of women were selected and matched as closely as possible for clinical characteristics such as age, tumor size, tumor grade, lymphovascular involvement, and hormone status (ER, PR, Her2/Neu). No association was seen between MetaSite density/count and these clinical characteristics. However, MetaSite density was greater in patients who subsequently developed systemic metastasis compared with the patients who had only localized breast cancer (median, 105 vs. 50, respectively; P = 0.00006). For every 10-unit increase in MetaSites the odds ratio of systemic metastasis increased by 1.9 (95% confidence interval, 1.1-3.4). In other words, the number of MetaSites observed per patient ranged from 12 to 240 and the odds of metastasis nearly doubled for every increase of 10 MetaSites.

In data from an unpublished trial of 44 women with breast cancer, the MetaSite *Breast*™ test was compared to the Onco*type* DX test distributed by Genomic Health, Inc. The Onco*type* DX Recurrence Score was compared to the MetaSite count and the analysis showed an insignificant correlation between the two tests with a Spearman rank correlation coefficient of 0.19. If this lack of correlation holds in planned larger scale testing it would mean that MetaSite *Breast*™ test will provide an invaluable source of additional information critical to clinical care and stratification of breast cancer patients.

We entered into a Sponsored Research Agreement (the "Sponsored Research Agreement") in April 2011 with Einstein and Cornell for and on behalf of its Joan & Sanford I. Weill Medical College to conduct a "Large Population Validation" study of the MetaSite *Breast*™ test. The purposes of the Large Population Validation study was to (i) study the association between TMEM or MetaSite count at initial diagnosis of invasive ductal carcinoma of the breast and risk of systemic metastasis, and (ii) identify a cut-point for TMEM or MetaSite count that differentiates best between those who develop systemic metastasis and those who do not, and to calculate the sensitivity and specificity of these cut-points. In consideration for the study, we were required to pay $202,798 to Cornell and $514,756 to Einstein. On September 12, 2012, we entered into a formal amendment to the Sponsored Research Agreement to expand the scope of the research to include a comparison of TMEM or MetaSite count with the IHC4 score. The consideration for the study was amended to $169,514 to Cornell and $595,929 to Einstein in the aggregate which have been satisfied. The Large Population Validation study was conducted retrospectively on already collected human tissue samples and accompanying patient medical histories, which were provided from Kaiser Permanente Northwest health plan. In this ten-year minimum retrospective study, 259 metastatic and 259 non-metastatic patients were matched as closely as possible with regard to tumor size, grade, lymph node involvement, and hormone receptor status at presentation and had their tissue samples scored and the results were compared to the known outcome from their medical records.

The results of the MetaSite *Breast*™ 481 patient Large Population Validation study were published in the June 3, 2014 online publication of the *Journal of the National Cancer Institute*. The conclusion from that paper is that the MetaSite score or "Metastasis Score" predicted the risk of distant metastasis in estrogen receptor positive/her2/Neu negative (ER+/HER2-) breast cancer patients independently of classical clinicopathologic features. Furthermore we compared the MetaSite *Breast*™ test to another commercially available breast cancer diagnostic, the IHC4 and found our prognostic ability was superior.

We anticipate conducting two additional clinical studies that further validate and demonstrate the effectiveness and health economic benefit of the MetaSite *Breast*™ test as well as chemotherapy benefit in order to gain market acceptance and penetration as well as favorable reimbursement coverage from payors. We have identified additional tumor sample cohorts (with accompanying medical records) and anticipate commencing an additional study or studies in 2014 and 2015, depending on access to the desired cohort(s).

MenaCalc™ Test for Breast Cancer

The MenaCalc™ test for breast cancer is a tissue test that can utilize either FFPE tissue samples or disassociated, discontinuous cells available from either a needle biopsy or fine needle aspiration (FNA). The individual expression levels of the isoforms of the Mena protein can be measured in cancer cells and the relationship of their levels are determined to establish a "Metastasis Score," or risk of systemic metastasis. In as of yet unpublished data, we have established a strong correlation between the Metastasis Score from the MetaSite Breast™ test and the MenaCalc™ test for breast cancer. Because the Metastasis Score from the MenaCalc™ test for breast cancer can be derived from disassociated, discontinuous cells available from a needle biopsy or FNA at a patients' initial or early visit, we believe that this diagnostic can be a valuable pre-operative tool to obtain the earliest possible picture of a breast cancer patient's individual metastatic profile.

Results from a completed 797 patient trial were published in *Breast Cancer Research* in September 2012. The results showed that MenaCalc™ could predict survival in breast cancer patients and was predictive in all molecular subtypes of breast cancer including estrogen, progesterone, and her2-Neu receptor negative (triple-negative) cancers. Additionally, data on 406 women presented in abstract form at the 2014 USCAP annual meeting showed that high MenaCalc™ metastasis scores were associated with decreased overall survival of women with axillary node-negative breast cancer. A formal manuscript is currently being prepared. We believe that further validation studies are needed in order to begin initial marketing of the MenaCalc™ assay for breast cancer.

We anticipate conducting two additional clinical studies that further validate and demonstrate the effectiveness and health economic benefit of the MenaCalc™ test for breast cancer as well as chemotherapy benefit in order to gain market acceptance and penetration as well as favorable reimbursement coverage from payors. We have identified additional tumor sample cohorts (with accompanying medical records) and anticipate commencing an additional study or studies in 2014 and 2015, depending on access to the desired cohort(s).

Market Potential of our Breast Cancer Diagnostic

The ACS predicted that in the U.S. there would be 232,340 new cases of breast cancer in 2013 and that 39,620 deaths from the disease.

The data from the published trials show that the metastatic outcome was independent of traditional clinicopathologic characteristics including age, tumor grade, tumor size, and lymph node involvement. Additionally, we believe that the market potential for the MetaSite *Breast*™ test includes those classified as ER+/HER2-, a group that constitutes between 50 and 60 percent of breast cancer patients. Accordingly, we believe that our MetaSite *Breast*™ test will be applicable for approximately 115,000 to 138,000 new breast cancer cases annually.

Results from the MenaCalc™ breast cancer trial on 797 patients published in *Breast Cancer Research* in September 2012 showed that MenaCalc™ was predictive in all molecular subtypes of breast cancer including estrogen receptor negative and estrogen, progesterone, and her2-Neu receptor negative (triple-negative) cancers.

We believe that the market opportunity for our function-based diagnostic assays for breast cancer will cover the full spectrum of the approximately 232,340 new invasive breast cancer cases each year in the U.S. alone without regard to molecular subtype.

MenaCalc™ Test for Other Cancer Indications

The Mena protein isoforms have been shown to be a key potentiating factor in the progression to systemic metastasis in solid tumor epithelial–based cancers, including prostate, lung and colorectal. We believe that we may be able to develop MenaCalc™ based diagnostic assays that will aid physicians in the management of a large proportion of future cancer patients.

In 2012, we completed a 70 patient trial at Yale University for a MenaCalc™ test for adenocarcinoma of the lung. In unpublished data, we found that MenaCalc™ could predict survival in adenocarcinoma of the lung. Although the sample size was small, we believe these findings were promising and we plan to initiate a larger confirmatory trial for the MenaCalc™ assay in adenocarcinoma of the lung patients.

Additionally, we have completed a small pilot study at MIT for a MenaCalc™ test in predicting metastasis in prostate cancer. The results from this pilot study were sufficient for us to justify the planning and preparation of a larger scale confirmatory trial for MenaCalc™ in prostate cancer.

Our Therapeutic Solution

We believe our therapeutic program will build upon Mena biology and alternative RNA splicing as a driver of disease progression to exploit novel targets that provide precision medicines in oncology. Through our Alternative Splicing License Agreements, which are more fully described in the "Patent and Intellectual Property" section below, we acquired rights to a collection of alternative splicing events that occur when tumor cells undergo epithelial to mesenchymal transition (EMT), a process linked to the acquisition of drug resistance for a number of settings including prostate cancer, non small cell lung cancer (NSCLC), and breast cancer. These finding were published in (Shapiro et al, PLOS, 2011).

Our program will utilize alternative splicing events in the drug resistant state to both provide a methodology to mine, identify and validate novel alternatively spliced targets and provide a companion diagnostic that can be deployed in the clinic to identify patients who will respond to a therapeutic directed against the alternatively spliced target

Business Strategies

Our goal is to build a leading life sciences company focused on the development and commercialization of novel diagnostics and therapeutics that improve clinical outcomes and reduce overall medical costs. Key elements of our strategy to achieve this goal are to:

- continue to innovate and advance our licensed proprietary technologies;
- obtain and maintain our clinical reference laboratory accreditations and licenses and any other necessary approvals;
- initiate marketing efforts for our breast cancer diagnostics;
- successfully develop our MenaCalc™ platform other indications including, prostate, lung and colorectal cancers;
- successfully develop our MenaBloc™ therapeutic platform;
- obtain positive reimbursement decisions from third-party payors;
- expand in countries outside of the United States;
- attract and retain skilled personnel; and
- continue to obtain intellectual property and/or other protection for our technologies and products.

Research and Development

Our net research and development expenditures were $824,336 and $516,798 for the years ended February 28, 2014 and February 28, 2013, respectively.

As of February 28, 2014, our research and development department included 3 full time employees located at our drug discovery laboratory in Stony Brook, NY. Additionally, depending on the timing of our sponsored projects, it included up to 19 medical doctors, Ph.D. level scientists, and biomedical engineers, nine of whom we engaged in a consulting capacity and up to ten of whom are full time researchers that we funded through our research and development collaborations in connection with (i) the development of the MetaSite *Breast*™ test at Einstein, ii) the Sponsored Research Agreement for the Large Population Validation study of the MetaSite *Breast*™ test, (iii) studies using MenaCalc™ for breast and lung cancer at both MIT and Yale University, and (iv) the early discovery and development of the MenaBloc™ therapeutic at MIT.

Manufacturing

One of the advantages of the MetaSite *Breast*™ test is that it uses widely available immunohistochemical dyeing techniques to identify individual cell types. This staining technique uses antibodies that recognize individual cell types. By attaching different dye colors to different antibody types, the operator can view different cell types on a single slide. We believe this approach to diagnosis and prognosis of cancer is more cost effective than many genomic-based approaches currently on the market. We believe the most economical way to enter the market with the MetaSite *Breast*™ test will be through contract manufacturing for these immunohistochemicals. We have identified over twenty contract manufacturers that we intend to interview in anticipation of marketing for the diagnostic. We believe these contract manufacturers have experience and expertise to cost effectively produce, package, and ship the MetaSite *Breast*™ test reagents to us.

One of the advantages of the MenaCalc™ test is that it uses widely available immunofluorescence techniques to identify individual cell types, allowing the test to interrogate tumor cells separately within tumor microenvironment rather than measuring homogenous biopsies containing tumor and non-tumor cell types. This staining technique uses antibodies that recognize or detect the different protein variants of Mena. The antibodies used for MenaCalc™ are detected by labeling the different antibody types different fluorescent dyes that allow the operator to measure and quantify the levels selectively within the tumor cells on the slide. We believe this approach to diagnosis and prognosis of cancer is more cost effective than many genomic-based approaches currently on the market that utilize heterogeneous mixtures of tumor and stromal cells in patient samples. We have produced antibodies for the MenaCalc™ test, which we believe should be sufficient to meet our research and development and clinical needs for the next twenty-four months.

Selling and Marketing

We have begun the planning and preparation for marketing of our Breast Cancer Diagnostic test. We plan to concentrate our initial marketing efforts beginning in 2015 at several large cancer centers in 5 to 10 select cities in the U.S. These centers have been selected because of the relationships between key opinion leaders at these centers and our management and advisory board members. We are currently pursuing strategic relationships with these and other cancer centers in order to apprise the medical community of the utility of our novel function-based diagnostic assays.

We will commence our commercialization efforts including establishing a CLIA certified reference laboratory, while concurrently building an appropriate sales and marketing team. We plan to hire and/or contract a sales staff with significant clinical oncology selling and marketing experience. Our sales approach will focus on the clinical and economic benefits of our Breast Cancer Diagnostic test and the scientific validation supporting them. Our marketing strategy will focus on educating physicians, laboratory personnel and other healthcare professionals regarding the development of our novel technologies. We also plan to work closely with national and regional patient advocacy organizations that are focused on breast cancer care. Additionally, we intend to utilize the Internet for communicating with external constituencies, and develop our website to comprehensively present clinical information for healthcare professionals and educational information and materials for breast cancer patients.

We believe the key factors that will drive adoption for our breast cancer diagnostic tests include, but are not limited to, our commercial efforts, continued publication of peer-reviewed articles and/or studies, clinical presentations at major symposia and conferences such as ASCO, the inclusion of our breast cancer diagnostic tests in clinical practice guidelines, and the adoption of favorable reimbursement coverage by payors including Medicare and Medicaid.

Reimbursement

Based on our discussions with oncologists and heads of the departments of breast medical oncology at major cancer treatment centers, our Breast Cancer Diagnostic test is expected to expand the field for diagnostics that will help payors lower costs through the implementation of customized cancer therapy. We hope to follow the recent roadmap established by Genomic Health, Inc. for its Onco*type* DX test for breast cancer to serve as a template for establishing a reimbursement strategy. When Genomic Health completed and published its 668 patient validation trial results for its Onco*type* DX test for breast cancer in 2004, it began receiving reimbursement from several regional payors. Shortly thereafter, Genomic Health entered into a reimbursement agreement with larger national payors.

We expect to offer our function-based diagnostic tests,, as a clinical laboratory service. Revenues for our clinical laboratory diagnostics may come from several sources, including commercial third-party payors, such as insurance companies and health maintenance organizations ("HMOs"), government payors, such as Medicare and Medicaid in the United States, patient self-pay and, in some cases, from hospitals or referring laboratories who, in turn, may bill third-party payors. It is essential to our commercial success to get favorable reimbursement coverage by third-party payors for our Breast Cancer Diagnostic test and other function-based diagnostic assays.

In order to gain broad reimbursement coverage, we expect to have to expend substantial resources on educating payors such as Kaiser Permanente, Aetna, United Healthcare, and others on the following attributes of our function-based diagnostic assays:

- Test performance;
- Clinical utility and effectiveness;
- Peer-reviewed publication and consistent study outcomes;
- Patient and physician demand; and
- Improved economics.

In determining whether or not Medicare will pay for a test, the Centers for Medicare and Medicaid Services, or CMS, which oversees Medicare, can permit third party contractors who process and pay Medicare claims to make that determination or it can make a national coverage determination, which will bind all Medicare contractors. In addition, each state's Medicaid program, which pays for services furnished to the eligible medically indigent, will usually make its own decision whether or not to cover our MetaSite *Breast*™ test. We anticipate that we will spend significant time and resources working with CMS in our effort to gain reimbursement coverage from Medicare and Medicaid.

Competition

The life sciences, biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary technologies and products. Any diagnostic product(s) that we successfully develop and commercialize will compete with existing diagnostics as well as new diagnostics that may become available in the future. While we believe that our technology and scientific knowledge provide us with competitive advantages, we face potential competition from many different sources.

We believe our main competition will be from existing diagnostic methods used by both pathologists and oncologists. It is difficult to change or augment these methods as they have been used for many years by treating physicians. In addition, capital equipment and kits or reagents offered to local pathology laboratories represent another source of potential competition. These kits are used directly by the pathologist, which facilitates adoption more readily than diagnostic tests like ours that are performed outside the pathology laboratory.

We also face competition from competitors that develop diagnostic tests, such as Genomic Health, Inc., Agendia, Inc., Genoptix Medical Laboratory, a part of the Novartis Pharmaceuticals Division, Roche Diagnostics, a division of Roche Holding, Ltd, Siemens AG and Veridex LLC, a Johnson & Johnson company, as well as others. Other competition may come from companies that focus on gene profiling and gene or protein expression, including Celera Corporation, GE Healthcare, a business unit of General Electric Company, Hologic, Inc., Novartis AG, Myriad Genetics, Inc., Qiagen N.V. and Response Genetics, Inc., and many other public and private companies. Commercial laboratories, such as Laboratory Corporation of America Holdings and Quest Diagnostics Incorporated, with strong distribution networks for diagnostic tests, may also compete with us.

Many of our present and potential competitors have widespread brand recognition and substantially greater financial and technical resources and development, production and marketing capabilities than we do. If we are unable to compete successfully against current or future competitors, we may be unable to gain market acceptance and therefore revenue from our diagnostics may be limited.

Regulation

Clinical Laboratory Improvement Amendments of 1988

We anticipate that we will be a clinical reference laboratory as defined under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA"). Clinical laboratory tests such as our function-based diagnostics including the MetaSite *Breast*™ test and our MenaCalc™ diagnostics are regulated under CLIA. As such, we will be required to hold certain federal, state and local licenses, certifications and permits to conduct our business. Under CLIA, we are required to hold a certificate applicable to the type of work we perform and to comply with standards covering personnel, facilities administration, quality systems and proficiency testing.

We have consulted with FDA regulatory counsel in advance of a meeting with the FDA prior to marketing and commercialization of our Breast Cancer Diagnostic test and have formulated a plan to apply for a certificate of accreditation under CLIA to perform testing. We believe we will be subject to survey and inspection every two years to assess compliance with program standards and may be subject to additional inspections without prior notice. The standards applicable to the testing which we perform may change over time. We cannot assure that we will be able to operate profitably should regulatory compliance requirements become substantially more costly in the future.

If our clinical reference laboratory falls out of compliance with CLIA requirements, we may be subject to sanctions such as suspension, limitation or revocation of our CLIA certificate, as well as directed plan of correction, state on-site monitoring, civil money penalties, civil injunctive suit or criminal penalties. Additionally, we must maintain CLIA compliance and certification to be eligible to bill for tests provided to Medicare beneficiaries. If we were to be found out of compliance with CLIA program requirements and subjected to sanction, our business would be harmed.

United States Food and Drug Administration

The United States Food and Drug Administration, or the FDA, regulates the sale or distribution, in interstate commerce, of medical devices, including in vitro diagnostic test kits. Devices subject to FDA regulation must undergo pre-market review prior to commercialization unless the device is of a type exempted from such review. Additionally, medical device manufacturers must comply with various regulatory requirements under the Federal Food, Drug and Cosmetic Act and regulations promulgated under that Act, including quality system review regulations, unless exempted from those requirements for particular types of devices. Entities that fail to comply with FDA requirements can be liable for criminal or civil penalties, such as recalls, detentions, orders to cease manufacturing and restrictions on labeling and promotion.

Clinical laboratory services are not subject to FDA regulation, but in vitro diagnostic test kits and reagents and equipment used by these laboratories may be subject to FDA regulation. Clinical laboratory tests that are developed and validated by a laboratory for use in examinations the laboratory performs itself are called "home brew" tests or more recently, Laboratory Developed Tests (LDTs). Most LDTs currently are not subject to premarket review by FDA although analyte-specific reagents or software provided to us by third parties and used by us to perform LDTs may be subject to review by the FDA prior to marketing. Although we have not confirmed this with the FDA, we believe our MetaSite *Breast*™ test will not be subject to regulation under current FDA policies. We believe that the container we provide for collection and transport of tumor samples from a pathology laboratory to our reference laboratory is a medical device subject to FDA regulation but exempt from premarket review. We cannot provide any assurance that FDA regulation, including premarket review, will not be required in the future for the MetaSite *Breast*™ test or any of our function-based diagnostic assays. If premarket review is required, this would adversely affect our business until such review is completed and approval or clearance to market is obtained. If premarket review is required by the FDA, there can be no assurance that our test will be cleared or approved on a timely basis, if at all. Ongoing compliance with FDA regulations would increase the cost of conducting our business, subject us to inspection by the FDA and to the requirements of the FDA and penalties for failure to comply with the requirements of the FDA. Should any of the clinical laboratory device reagents obtained by us from vendors and used in conducting our home brew test be affected by future regulatory actions, we could be adversely affected by those actions, including increased cost of testing or delay, limitation or prohibition on the purchase of reagents necessary to perform testing.

Beginning in January 2006, the FDA began indicating its belief that laboratory-developed tests were subject to FDA regulation as devices and issued a series of guidance documents intending to establish a framework by which to regulate certain laboratory tests. In September 2006, the FDA issued draft guidance on a new class of tests called "In Vitro Diagnostic Multivariate Index Assays", or IVDMIAs. Under this draft guidance, specific tests could be classified as either a Class II or a Class III medical device, which may require varying levels of FDA pre-market review depending on intended use and the level of control necessary to assure the safety and effectiveness of the test. In July 2007, the FDA posted revised draft guidance that addressed some of the comments submitted in response to the September 2006 draft guidance.

In May 2007, the FDA issued a guidance document "Class II Special Controls Guidance Document: Gene Expression Profiling Test System for Breast Cancer Prognosis." This guidance document was developed to support the classification of gene expression profiling test systems for breast cancer prognosis into Class II. In addition, the Secretary of the Department of Health and Human Services, or HHS, requested that its Advisory Committee on Genetics, Health and Society make recommendations about the oversight of genetics testing. A final report was published in April 2008.

In June 2010, the FDA announced a public meeting to discuss the agency's oversight of LDTs prompted by the increased complexity of LDTs and their increasingly important role in clinical decision making and disease management. The FDA indicated that it is considering a risk-based application of oversight to LDTs and that, following public input and discussion; it may issue separate draft guidance on the regulation of LDTs which may vary from the previously issued draft guidance on the regulation of IVDMIAs. The public meeting was held in July 2010 and further public comments were submitted to the FDA in September 2010. FDA spokespersons continue to indicate that the agency has prepared draft guidance regarding proposed oversight of LDTs, which is under review for possible issuance. To date, draft guidance has not yet been issued.

Separately, in June 2011, the FDA issued draft guidance regarding "Commercially Distributed In Vitro Diagnostic Products Labeled for Research Use Only or Investigational Use Only," which was finalized in November 2013. Public comments were submitted in response to this draft guidance, which has not been finalized. In addition, the FDA has issued other draft guidance documents, which may impact our tests or our future tests, including draft guidance regarding Mobile Medical Applications that is directed at patient management tools. Public comments were submitted in response to this draft guidance, which has not been finalized. In October 2012, the FDA published a list of planned guidance documents that the agency stated it plans to focus on in its fiscal year 2013, including the finalization of previously issued draft guidance which could include guidance documents addressing FDA regulation of laboratory tests such as ours. We cannot predict the ultimate form of any such guidance or regulation and the potential impact on our tests or materials used to perform our tests. While we expect all materials used in our tests to qualify according to CLIA regulations, we cannot be certain that the FDA might not enact rules or guidance documents which could impact our ability to purchase materials necessary for the performance of our tests. Should any of the reagents obtained by us from vendors and used in conducting our tests be affected by future regulatory actions, our business could be adversely affected by those actions, including increasing the cost of testing or delaying, limiting or prohibiting the purchase of reagents necessary to perform testing.

We cannot provide any assurance that FDA regulation, including pre-market review, will not be required in the future for our tests, whether through additional guidance issued by the FDA, new enforcement policies adopted by the FDA or new legislation enacted by Congress. Legislative proposals addressing oversight of genetic testing and LDTs as well as health information technologies, such as clinical decision support technologies were introduced in recent years and we expect that new legislative proposals will be introduced from time to time. It is possible that legislation could be enacted into law or guidance could be issued by the FDA, which may result in new or increased regulatory requirements for us to continue to offer our tests or develop and introduce new tests.

If pre-market review is required, our business could be negatively impacted until such review is completed and clearance to market or approval is obtained, and the FDA could require that we stop selling our tests pending pre-market clearance or approval. If our tests are allowed to remain on the market but there is uncertainty about our tests, if they are labeled investigational by the FDA, or if labeling claims the FDA allows us to make are limited, orders or reimbursement may decline. The regulatory approval process may involve, among other things, successfully completing additional clinical trials and submitting a pre-market clearance notice or filing a PMA application with the FDA. If pre-market review is required by the FDA, there can be no assurance that our tests will be cleared or approved on a timely basis, if at all, nor can there be assurance that labeling claims will be consistent with our current claims or adequate to support continued adoption of and reimbursement for our tests. Ongoing compliance with FDA regulations would increase the cost of conducting our business, and subject us to inspection by the FDA and to the requirements of the FDA and penalties for failure to comply with these requirements. We may also decide voluntarily to pursue FDA pre-market review of our tests if we determine that doing so would be appropriate.

Health Insurance Portability and Accountability Act

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and final omnibus rules, were issued by HHS to protect the privacy and security of protected health information used or disclosed by health care providers, such as us. HIPAA also regulates standardization of data content, codes and formats used in health care transactions and standardization of identifiers for health plans and providers. Penalties for violations of HIPAA regulations include civil and criminal penalties.

We plan on developing policies and procedures to comply with these regulations by any respective compliance enforcement dates. The requirements under these regulations may change periodically and could have an adverse effect on our business operations if compliance becomes substantially more costly than under current requirements.

In addition to federal privacy regulations, there are a number of state and international laws governing confidentiality of health information that may be applicable to our operations. The United States Department of Commerce, the European Commission and the Swiss Federal Data Protection and Information Commissioner have agreed on a set of data protection principles and frequently asked questions (the "Safe Harbor Principles") to enable U.S. companies to satisfy the requirement under European Union and Swiss law that adequate protection is given to personal information transferred from the European Union or Switzerland to the United States. The European Commission and Switzerland have also recognized the Safe Harbor Principles as providing adequate data protection.

New laws governing privacy may be adopted in the future as well. We have taken steps to comply with health information privacy requirements to which we are aware that we will be subject. However, we can provide no assurance that we will be in compliance with diverse privacy requirements in all of the jurisdictions in which we do business. Failure to comply with privacy requirements could result in civil or criminal penalties, which could have a materially adverse impact on our business.

Federal and State Physician Self-referral Prohibitions

We will be subject to the federal physician self-referral prohibitions, commonly known as the Stark Law, and to similar state restrictions such as the California's Physician Ownership and Referral Act, or PORA. Together these restrictions generally prohibit us from billing a patient or any governmental or private payor for any test when the physician ordering the test, or any member of such physician's immediate family, has an investment interest in or compensation arrangement with us, unless the arrangement meets an exception to the prohibition. Both the Stark Law and PORA contain an exception for compensation paid to a physician for personal services rendered by the physician. We would be required to refund any payments we receive pursuant to a referral prohibited by these laws to the patient, the payor or the Medicare program, as applicable.

Both the Stark Law and certain state restrictions such as PORA contain an exception for referrals made by physicians who hold investment interests in a publicly traded company that has stockholders' equity exceeding $75 million at the end of its most recent fiscal year or on average during the previous three fiscal years, and which satisfies certain other requirements. In addition, both the Stark Law and certain state restrictions such as PORA contain an exception for compensation paid to a physician for personal services rendered by the physician.

However, in the event that we enter into any compensation arrangements with physicians, we cannot be certain that regulators would find these arrangements to be in compliance with Stark, PORA or similar state laws. In such event, we would be required to refund any payments we receive pursuant to a referral prohibited by these laws to the patient, the payor or the Medicare program, as applicable.

Sanctions for a violation of the Stark Law include the following:

- denial of payment for the services provided in violation of the prohibition;
- refunds of amounts collected by an entity in violation of the Stark Law;
- a civil penalty of up to $15,000 for each service arising out of the prohibited referral;
- possible exclusion from federal healthcare programs, including Medicare and Medicaid; and
- a civil penalty of up to $100,000 against parties that enter into a scheme to circumvent the Stark Law's prohibition.

These prohibitions apply regardless of the reasons for the financial relationship and the referral. No finding of intent to violate the Stark Law is required for a violation. In addition, under an emerging legal theory, knowing violations of the Stark Law may also serve as the basis for liability under the Federal False Claims Act.

Further, a violation of PORA is a misdemeanor and could result in civil penalties and criminal fines. Finally, other states have self-referral restrictions with which we have to comply that differ from those imposed by federal and California law. It is possible that any financial arrangements that we may enter into with physicians could be subject to regulatory scrutiny at some point in the future, and we cannot provide assurance that we will be found to be in compliance with these laws following any such regulatory review.

Federal, State and International Anti-kickback Laws

The Federal Anti-kickback Law makes it a felony for a provider or supplier, including a laboratory, to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal health care program. A violation of the Anti-kickback Law may result in imprisonment for up to five years and fines of up to $250,000 in the case of individuals and $500,000 in the case of organizations. Convictions under the Anti-kickback Law result in mandatory exclusion from federal health care programs for a minimum of five years. In addition, HHS has the authority to impose civil assessments and fines and to exclude health care providers and others engaged in prohibited activities from Medicare, Medicaid and other federal health care programs.

Actions which violate the Anti-kickback Law or similar laws may also involve liability under the Federal False Claims Act, which prohibits the knowing presentation of a false, fictitious or fraudulent claim for payment to the United States Government. Actions under the Federal False Claims Act may be brought by the Department of Justice or by a private individual in the name of the government.

Although the Anti-kickback Law applies only to federal health care programs, a number of states have passed statutes substantially similar to the Anti-kickback Law pursuant to which similar types of prohibitions are made applicable to all other health plans and third-party payors.

Federal and state law enforcement authorities scrutinize arrangements between health care providers and potential referral sources to ensure that the arrangements are not designed as a mechanism to induce patient care referrals and opportunities. The law enforcement authorities, the courts and the United States Congress have also demonstrated a willingness to look behind the formalities of a transaction to determine the underlying purpose of payments between health care providers and actual or potential referral sources. Generally, courts have taken a broad interpretation of the scope of the Anti-kickback Law, holding that the statute may be violated if merely one purpose of a payment arrangement is to induce future referrals.

In addition to statutory exceptions to the Anti-kickback Law, regulations provide for a number of safe harbors. If an arrangement meets the provisions of a safe harbor, it is deemed not to violate the Anti-kickback Law. An arrangement must fully comply with each element of an applicable safe harbor in order to qualify for protection.

Among the safe harbors that may be relevant to us is the discount safe harbor. The discount safe harbor potentially applies to discounts provided by providers and suppliers, including laboratories, to physicians or institutions where the physician or institution bills the payor for the test, not when the laboratory bills the payor directly. If the terms of the discount safe harbor are met, the discounts will not be considered prohibited remuneration under the Anti-kickback Law. We anticipate that this safe harbor may be potentially applicable to any agreements that we enter into to sell tests to hospitals where the hospital submits a claim to the payor.

The personal services safe harbor to the Anti-kickback Law provides that remuneration paid to a referral source for personal services will not violate the Anti-kickback Law provided all of the elements of that safe harbor are met. One element is that, if the agreement is intended to provide for the services of the physician on a periodic, sporadic or part-time basis, rather than on a full-time basis for the term of the agreement, the agreement specifies exactly the schedule of such intervals, their precise length, and the exact charge for such intervals. Failure to meet the terms of the safe harbor does not render an arrangement illegal. Rather, such arrangements must be evaluated under the language of the statute, taking into account all facts and circumstances.

In the event that we enter into relationships with physicians, hospitals and other customers, there can be no assurance that our relationships with those physicians, hospitals and other customers will not be subject to investigation or a successful challenge under such laws. If imposed for any reason, sanctions under the Anti-kickback Law or similar laws could have a negative effect on our business.

Other Federal and State Fraud and Abuse Laws

In addition to the requirements that are discussed above, there are several other health care fraud and abuse laws that could have an impact on our business. For example, provisions of the Social Security Act permit Medicare and Medicaid to exclude an entity that charges the federal health care programs substantially in excess of its usual charges for its services. The terms “usual charge” and “substantially in excess” are ambiguous and subject to varying interpretations.

Further, the Federal False Claims Act prohibits a person from knowingly submitting a claim, making a false record or statement in order to secure payment or retaining an overpayment by the federal government. In addition to actions initiated by the government itself, the statute authorizes actions to be brought on behalf of the federal government by a private party having knowledge of the alleged fraud. Because the complaint is initially filed under seal, the action may be pending for some time before the defendant is even aware of the action. If the government is ultimately successful in obtaining redress in the matter or if the plaintiff succeeds in obtaining redress without the government’s involvement, then the plaintiff will receive a percentage of the recovery. Finally, the Social Security Act includes its own provisions that prohibit the filing of false claims or submitting false statements in order to obtain payment. Violation of these provisions may result in fines, imprisonment or both, and possible exclusion from Medicare or Medicaid programs.

New York Laboratory Licensing

We anticipate that our clinical reference laboratory will be located in New York. Accordingly, we will be required to be licensed by New York, under New York laws and regulations, which establish standards for:

- day-to-day operation of a clinical laboratory, including training and skill levels required of laboratory personnel;
- physical requirements of a facility;
- equipment; and
- quality control.

We expect to apply for and receive the licenses necessary for our clinical reference laboratory for our MetaSite *Breast*™ test. New York law also mandates proficiency testing for laboratories licensed under New York state law, regardless of whether or not such laboratories are located in New York. If a laboratory is not in compliance with New York statutory or regulatory standards, the New York State Department of Health may suspend, limit, revoke or annul the laboratory's New York license, censure the holder of the license or assess civil money penalties. Statutory or regulatory noncompliance may result in a laboratory's operator being found guilty of a misdemeanor under New York law. In the event that we should be found not to be in compliance with New York laboratory requirements, we could be subject to such sanctions, which could harm our business.

Other States' Laboratory Testing

Florida, Maryland, Pennsylvania and Rhode Island require out-of-state laboratories, which accept specimens from those states to be licensed. We expect to obtain licenses in those four states.

From time to time, we may become aware of other states that require out-of-state laboratories to obtain licensure in order to accept specimens from the state, and it is possible that other states do have such requirements or will have such requirements in the future. If we identify any other state with such requirements or if we are contacted by any other state advising us of such requirements, we intend to follow instructions from the state regulators as to how we should comply with such requirements.

Compliance with Environmental Laws

We expect to be subject to regulation under federal, state and local laws and regulations governing environmental protection and the use, storage, handling and disposal of hazardous substances. The cost of complying with these laws and regulations may be significant. Our planned activities may require the controlled use of potentially harmful biological materials, hazardous materials and chemicals. We cannot eliminate the risk of accidental contamination or injury to employees or third parties from the use, storage, handling or disposal of these materials. In the event of contamination or injury, we could be held liable for any resulting damages, and any liability could exceed our resources or any applicable insurance coverage we may have.

Employees

We currently have six full time employees and two part-time employees on a consultancy basis. In addition, we utilize outside consultants to support certain elements of our drug discovery and research and development operations. We have also engaged several consulting firms involved with investor relations, regulatory strategy and clinical trial planning. We plan to increase the number of employees in the areas of clinical research and testing, engineering, manufacturing, and sales and marketing in 2014 and 2015.

Patents and Intellectual Property

We believe that clear and extensive patent coverage for our technologies is central to our long-term success and we have invested and will invest accordingly. This has been accomplished in conjunction with the resources of the Licensors. This applies to both domestic and international patent coverage.

In December 2013, the United States Patent and Trademark Office ("USPTO") issued U.S. Patent Number US 8,603,738 entitled: " Metastasis specific splice variants of Mena and uses thereof in diagnosis, prognosis and treatment of tumors" which claims center on our MenaCalc™ diagnostic platform. Additionally, in February 2014, the USPTO issued U.S. Patent No. 8,642,277 entitled: " Tumor Microenvironment of Metastasis (TMEM) and Uses Thereof in Diagnosis, Prognosis, and Treatment of Tumors" which claims center on our MetaSite *Breast*™ diagnostic assay. Both patents are covered under the License Agreement (as defined below).

On August 26, 2010, MetaStat entered into a License Agreement (the "License Agreement") with Einstein, MIT, Cornell and IFO-Regina. The License Agreement covers pending patent applications, patent disclosures, cell lines and technology surrounding discoveries in the understanding of the underlying mechanisms of systemic metastasis in solid epithelial cancers. The License Agreement calls for certain customary payments such as a license signing fee, reimbursement of patent expenses, annual license maintenance fees, milestone payments, and the payment of royalties on sales of products or services covered under the agreement.

The intellectual property covered by the License Agreement is summarized as follows:

1. U.S. Patent No. 8,642,277, entitled "Tumor Microenvironment of Metastasis (TMEM) and Uses Thereof in Diagnosis, Prognosis, and Treatment of Tumors", inventors: Frank Gertler, John Condeelis, Thomas Rohan, and Joan Jones; assigned to MIT, Cornell and Einstein; and

2. U.S. Continuation-in-part of PCT/US08/1343, entitled "Metastasis specific splice variants of Mena and uses thereof in diagnosis, prognosis and treatment of tumors", inventors: John Condeelis, Sumanta Goswami, Paola Nistico, and Frank Gertler; assigned to Einstein, IFO and MIT; and

3. U.S. Patent No. 8,603,738, entitled "Metastasis specific splice variants of Mena and uses thereof in diagnosis, prognosis and treatment of tumors", inventors: John Condeelis, Sumanta Goswami, Paola Nistico, and Frank Gertler; assigned to Einstein, IFO and MIT; and

4. European Patent Application No. 08713370.8, entitled "Metastasis specific splice variants of Mena and uses thereof in diagnosis, prognosis and treatment of tumors", inventors: John Condeelis, Sumanta Goswami, Paola Nistico, and Frank Gertler; assigned to Einstein, IFO and MIT; and

5. Canadian Patent Application No. 2,676,179, entitled "Metastasis specific splice variants of Mena and uses thereof in diagnosis, prognosis and treatment of tumors", inventors: John Condeelis, Sumanta Goswami, Paola Nistico, and Frank Gertler; assigned to Einstein, IFO and MIT

Pursuant to the License Agreement, we have the right to initiate legal proceedings on our behalf or in the Licensors' names, if necessary, against any infringer, or potential infringer, of an licensed intellectual property who imports, makes, uses, sells or offers to sell products. Any settlement or recovery received from any such proceeding shall be divided eighty percent (80%) to us and twenty percent (20%) to the Licensors after we deduct from any such settlement or recovery our actual counsel fees and out-of-pocket expenses relative to any such legal proceeding. If we decide not to initiate legal proceedings against any such infringer, then the Licensors shall have the right to initiate such legal proceedings. Any settlement or recovery received from any such proceeding initiated by the Licensors shall be divided twenty percent (20%) to us and eighty percent (80%) to the Licensors after the Licensors deduct from any such settlement or recovery their actual counsel fees and out-of-pocket expenses relative to any such legal proceeding.

Further, in accordance with the terms of the License Agreement, we paid a license signing fee of $25,000 in connection with entering into the License Agreement and are required to make a series of annual minimum royalty payments beginning on the first anniversary date, or August 26, 2011. For a period of seven years on each anniversary, we are required to make additional payments in amounts that gradually increase beginning in year five. To date, we have satisfied payments for 2011, 2012 and 2013 in the amount of $30,000, respectively. We are required to make additional payments of $30,000 in 2014, $50,000 in 2015, $75,000 in 2016 and $100,000 in 2017 and every year the license is in effect thereafter.

Additionally, effective in March 2012, we entered into two additional license agreements with Einstein. The second license agreement with Einstein (the "Second License Agreement") and the third license agreement with Einstein (the "Third License Agreement") both cover pending patent applications, patent disclosures, cell lines and technology surrounding discoveries in the understanding of the underlying mechanisms of systemic metastasis in solid epithelial cancers. The Second License Agreement and the Third License Agreement both require certain customary payments such as a license signing fee, reimbursement of patent expenses, annual license maintenance fees, milestone payments, and the payment of royalties on sales of products or services covered under such agreements.

The intellectual property covered by the Second License Agreement is summarized as follows:

1. U.S. Patent No. 8,298,756 entitled "Isolation, Gene Expression, And Chemotherapeutic Resistance Of Motile Cancer Cells"; inventor: John S. Condeelis; and

2. Canadian Patent Application No. 2,576,702 entitled "Isolation, Gene Expression, And Chemotherapeutic Resistance Of Motile Cancer Cells"; inventor: John S. Condeelis; and

3. European Patent Application No. 05807467.5 entitled "Isolation, Gene Expression, And Chemotherapeutic Resistance Of Motile Cancer Cells"; inventor: John S. Condeelis; and

4. U.S. Provisional Patent Application (pending) entitled "Human Invasion Signature For Prognosis Of Metastatic Risk"; inventors: John S. Condeelis and Antonia Patsialou.

The intellectual property covered by the Third License Agreement is summarized as follows:

1. U.S. Patent Application No. 12/998,237 (based on PCT International Patent Application No. PCT/2009/005851) entitled "An In Vivo Quantitative Screening Test For Anti-Metastasis Treatment Efficacy"; inventors: Jeffrey Edward Segall, John Condeelis, Dmitriy Kedrin, Jacco van Rheenen, Bojana Gligorijevic.

Pursuant to the Second License Agreement, we paid a license signing fee of $15,000 in connection with entering into the Second License Agreement and are required to make a series of annual minimum royalty or "license maintenance" payments beginning on the first anniversary date of the effective date, or January 3, 2013. For a period of seven years on each anniversary, we are required to make additional payments in amounts that gradually increase beginning in year three. We have satisfied the license maintenance payment of $12,000 for the first anniversary in 2013. We are required to make additional payments of $12,000 in 2014, which payment due date has been mutually extended by the parties, $30,000 in each of 2015 and 2016, $50,000 in 2017, $75,000 in 2018 and $100,000 in 2019 and every year the license is in effect thereafter.

Pursuant to the Third License Agreement, we paid a license signing fee of $15,000 in connection with entering into the Third License Agreement and are required to make a series of annual minimum royalty or "license maintenance" payments beginning on the first anniversary date of the effective date, or January 3, 2013. For a period of seven years on each anniversary, we are required to make additional payments in amounts that gradually increase beginning in year three. We have satisfied the license maintenance payment of $12,000 for the first anniversary in 2013. We are required to make additional payments of $12,000 in 2014, which have been mutually extended by the parties, $30,000 in each of 2015 and 2016, $50,000 in 2017, $75,000 in 2018 and $100,000 in 2019 and every year the license is in effect thereafter.

On December 7, 2013, we entered into two separate worldwide exclusive license agreements with MIT and its David H. Koch Institute for Integrative Cancer Research at MIT and its Department of Biology, Einstein, and Montefiore Medical Center ("Montefiore" and, together with MIT and Einstein, the "Alternative Splicing Licensors"). The diagnostic license agreement (the "Alternative Splicing Diagnostic License Agreement") covers pending patent applications, patent disclosures, and technology surrounding discoveries of alternatively spliced mRNA and protein isoform markers for the diagnosis and prognosis of cancer through the epithelial to mesenchymal transition ("EMT") in epithelial solid tumor cancers. The therapeutic license agreement (the "Alternative Splicing Therapeutic License Agreement" and, together with the Diagnostic License Agreement, the "2014 Alternative Splicing License Agreements") covers pending patent applications, patent disclosures, and technology surrounding discoveries of alternatively spliced mRNA and protein isoform markers for the treatment and/or prevention of cancer through the EMT in epithelial solid tumor cancers. The 2014 Alternative Splicing License Agreements call for certain customary payments such as a license signing fee, reimbursement of patent expenses, annual license maintenance fees, milestone payments, and the payment of royalties on sales of products or services covered under the agreement.

The intellectual property covered by the 2014 Alternative Splicing License Agreements is summarized as follows:

1. U.S. Patent Application No. 14/000,995 entitled "Alternatively Spliced mRNA Isoforms as Prognostic Indicators for Metastatic Cancer", by Christopher B. Burge, Wu Albert Cheng, John Condeelis, Frank B. Gertler, Maja Oktay and Irina M. Sharpiro; and

2. European Patent Application No. 12749944.0 entitled "Alternatively Spliced mRNA Isoforms as Prognostic Indicators for Metastatic Cancer", by Christopher B. Burge, Wu Albert Cheng, John Condeelis, Frank B. Gertler, Maja Oktay and Irina M. Sharpiro; and

3. Singaporean Patent Application No. 201306378-9 entitled "Alternatively Spliced mRNA Isoforms as Prognostic Indicators for Metastatic Cancer", by Christopher B. Burge, Wu Albert Cheng, John Condeelis, Frank B. Gertler, Maja Oktay and Irina M. Sharpiro.

In accordance with the terms of the Alternative Splicing Diagnostic License Agreement, we paid a license signing fee of $15,000 in connection with entering into the Alternative Splicing Diagnostic License Agreement. In accordance with the terms of the Alternative Splicing Therapeutic License Agreement, we paid a license signing fee of $5,000 in connection with entering into the Alternative Splicing Therapeutic License Agreement. Pursuant to the 2014 Alternative Splicing License Agreements, we are required to make a series of annual minimum royalty or "license maintenance" payments for each license beginning on January 1, 2015. For a period of five years on each anniversary, we are required to make additional payments in amounts that gradually increase each year. The payments are $10,000 in 2015, $15,000 in 2016, $25,000 in 2017, $37,500 in 2018, and $50,000 in 2019, respectively. We are required to make additional payments of $50,000 every year each license is in effect thereafter. The license maintenance fee pursuant to the Alternative Splicing Therapeutic License Agreement shall not be due for as long as the Alternative Splicing Diagnostic License Agreement is in effect. Additionally, these annual license maintenance payments will be credited to running royalties due on net sales earned in the same calendar year.

Further, pursuant to the 2014 Alternative Splicing License Agreements, we have the right to initiate legal proceedings on our behalf or in the Licensors' names, if necessary, against any infringer, or potential infringer, of any licensed intellectual property who imports, makes, uses, sells or offers to sell products. Any settlement or recovery received from any such proceeding shall be divided 80% to us and 20% to the Licensors after we deduct from any such settlement or recovery our actual counsel fees and out-of-pocket expenses relative to any such legal proceeding. If we decide not to initiate legal proceedings against any such infringer, then the Licensors shall have the right to initiate such legal proceedings. Any settlement or recovery received from any such proceeding initiated by the Licensors shall be divided 20% to us and 80% to the Licensors after the Licensors deduct from any such settlement or recovery their actual counsel fees and out-of-pocket expenses relative to any such legal proceeding.

We also seek to ensure a competitive position and add to our intellectual property portfolio through licensing, partnerships, joint development and joint venture agreements.

Insurance

We have general and umbrella liability insurance as well as directors and officers insurance in amounts that we believe comply with industry standards.

Corporate Structure

We were incorporated on March 28, 2007 under the laws of the State of Nevada. From inception until November of 2008, our business plan was to produce and market inexpensive solar cells and in November 2008, our board of directors determined that the implementation of our business plan was no longer financially feasible. At such time, we discontinued the implementation of our prior business plan and pursued an acquisition strategy, whereby we sought to acquire a business. Based on these business activities, until February 27, 2012, we were considered a "blank check" company, with no or nominal assets (other than cash) and no or nominal operations.

MetaStat BioMedical, Inc. ("MBM") (formerly known as MetaStat, Inc.), our Delaware operating subsidiary, was incorporated in the State of Texas on July 22, 2009 and re-incorporated in the State of Delaware on August 26, 2010. MBM was formed to allow cancer patients to benefit from the latest discoveries in how cancer spreads to other organs in the body. The Company's mission is to become an industry leader in the emerging field of personalized cancer therapy.

On February 27, 2012 (the "Closing Date"), we consummated a share exchange as more fully described below, whereby we acquired all the outstanding shares of MBM and, MBM became our wholly owned subsidiary. From and after the share exchange, our business is conducted through our wholly owned subsidiary, MBM, and the discussion of our business is that of our current business which is conducted through MBM.

Prior to April 9, 2012, our company name was Photovoltaic Solar Cells, Inc. For the sole purpose of changing our name, on April 9, 2012, we merged with a newly-formed, wholly owned subsidiary incorporated under the laws of Nevada called MetaStat, Inc. As a result of the merger, our corporate name was changed to MetaStat, Inc. In May 2012, we changed the name of our Delaware operating subsidiary to MetaStat BioMedical, Inc. from MetaStat, Inc.

Share Exchange

Share Exchange

On the Closing Date, we entered into a Share Exchange Agreement (the "Exchange Agreement") by and among us, MBM, the holders of all outstanding shares of MBM (the "MBM Shareholders") and Waterford Capital Acquisition Co IX, LLC, our principal shareholder (the "Company Principal Shareholder"), whereby we acquired all of the outstanding shares of MBM (the "MBM Shares") from the MBM Shareholders. In exchange, we issued to the MBM Shareholders an aggregate of 18,369,421 shares of our common stock (the "Exchange Shares"), equal to 95.6% of our outstanding shares of common stock after such issuance. As a result of the transactions contemplated by the Exchange Agreement (collectively, the "Share Exchange"), MBM became our wholly owned subsidiary. Pursuant to the Exchange Agreement, we assumed warrants to purchase up to 780,511 shares of MBM's common stock, with exercise prices ranging between $1.50 and $2.00 per share on a 2.2-for-1 basis, equivalent to 1,717,122 shares of our common stock with exercise prices ranging from $0.68 to $0.91 per share. Immediately prior to the Share Exchange, we converted approximately $336,075 of debt owed to the Company Principal Shareholder into 309,595 shares of our common stock (the "Debt Conversion") and issued an aggregate of 36,000 shares of our common stock to certain of our officers, directors and consultants in consideration for services rendered to us, leaving 840,000 shares of our common stock outstanding immediately prior to the issuance of the Exchange Shares. Additionally, immediately prior to the Share Exchange, we issued five-year warrants to purchase up to an aggregate of 350,000 shares of our common stock at an exercise price of $1.40 per share, of which warrants to purchase 337,500 shares were issued for a purchase price of $21,000 and warrants to purchase 12,500 shares were issued for services rendered to us prior to the Share Exchange (the "Warrant Financing"). We used the proceeds of the Warrant Financing to pay off all of our liabilities prior to the Share Exchange.

On the Closing Date, we assumed MBM's 2012 Omnibus Securities and Incentive Plan (the "2012 Plan") and reserved 1,116,789 shares of our common stock for the benefit of our employees, nonemployee directors and consultants. All 507,500 options outstanding under the 2012 Plan were converted, on a 2.2-for-1 basis, into the right to receive options to purchase up to 1,116,500 shares of our common stock with an exercise price of $0.68 per share. On May 21, 2012, we increased the number of authorized and unissued shares of common stock reserved for issuance pursuant to the 2012 Plan to 3,116,789.

Principal Executive Offices

Our principal executive office is located at 8 Hillside Drive, Suite 207, Montclair, New Jersey 07042 and the telephone number at this address is (973) 744-7618. We have additional executive offices at 1510 Broadway, 23rd Floor, New York, NY 10018 and the telephone number at this address is (212) 796-8170. Our website is *http://www.metastat.com*. Information contained on our website does not constitute part of, and is not deemed incorporated by reference into, this Form 10-K.

Item 1A. RISK FACTORS

In addition to the other information in this Form 10-K, readers should carefully consider the following important factors. These factors, among others, in some cases have affected, and in the future could affect, our financial condition and results of operations and could cause our future results to differ materially from those expressed or implied in any forward-looking statements that appear in this on Form 10-K or that we have made or will make elsewhere.

Risks Relating to Our Business

If we are unable to continue as a going concern, our securities will have little or no value.

The reports of our independent registered public accounting firms that accompanies our audited consolidated financial statements for the years ended February 28, 2014 and February 28, 2013 contain a going concern qualification in which such firm expressed substantial doubt about our ability to continue as a going concern. As of February 28, 2014 we had an accumulated deficit of $10,727,675. We currently anticipate that our cash and cash equivalents will be sufficient to fund our operations through June 2014, without raising additional capital. Our continuation as a going concern is dependent upon continued financial support from our shareholders, the ability of us to obtain necessary equity and/or debt financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding our ability to continue as a going concern. We cannot make any assurances that additional financings will be available to us and, if available, completed on a timely basis, on acceptable terms or at all. If we are unable to complete a debt or equity offering, or otherwise obtain sufficient financing when and if needed, it would negatively impact our business and operations, which would likely cause the price of our common stock to decline. It could also lead to the reduction or suspension of our operations and ultimately force us to cease our operations.

We are at an early stage of development as a company and do not have, and may never have, any products that generate revenues.

We are a development stage life sciences company. At this time, we do not have any commercial products or laboratory services that generate revenues. Our existing diagnostic offerings will require additional clinical evaluation, regulatory review, significant marketing efforts and substantial investment before they could provide any revenues. Given the stage of development where we are, we expect to be able to begin initial marketing as early as 2015 for our Breast Cancer Diagnostic test and commence full implementation of our sales and marketing strategy as early as 2016. If we are unable to develop, receive approval for, or successfully commercialize any of our diagnostic candidates, we will be unable to generate significant revenues, or any revenues at all. If our development programs are delayed, we may have to raise additional capital or reduce or cease our operations.

We have a history of net losses, and we expect to incur net losses for the foreseeable future and we expect to continue to incur significant expenses to develop and commercialize our tests.

We have incurred substantial net losses since our inception. For the fiscal years ended February 28, 2014 and February 28, 2013, we incurred net losses of $5,365,196 and $2,520,579, respectively. From our inception in July 2009 through February 28, 2014, we had an accumulated deficit of $10,727,675. To date, we have not achieved, and we may never achieve, revenues sufficient to offset expenses. We expect to devote substantially all of our resources to continue commercializing and enhancing our Breast Cancer Diagnostic test, and to continue developing the MenaCalc™ platform of diagnostics assays for breast, prostate and lung cancers, the MenaBloc™ therapeutic platform, and any other future diagnostic tests and therapies. We expect to incur additional losses in the future, and we may never achieve profitability.

We expect to continue to incur significant research and development expenses, which may make it difficult for us to achieve profitability.

In recent years, we have incurred significant costs in connection with the development of our the MetaSite *Breast*™ test, the MenaCalc™ platform of diagnostics assays for breast, prostate and lung cancers, as well as initial work on the MenaBloc™ therapeutic. Our research and development expenses were $824,336 and $516,798 for the fiscal years ended February 28, 2014 and February 28, 2013, respectively. We expect our research and development expense levels to remain high for the foreseeable future as we seek to expand the clinical utility of our Breast Cancer Diagnostic test and develop additional diagnostics and therapeutics in our product portfolio. As a result, we will need to generate significant revenues in order to achieve profitability. Our failure to achieve profitability in the future could cause the market price of our common stock to decline.

We do not have our own diagnostic research facilities and will be dependent on third parties for diagnostic product development.

We do not have our own research and development facilities dedicated to diagnostic development and may engage consultants and independent contract research organizations to design and conduct clinical trials in connection with the development of our diagnostic products. As a result, these important aspects of a product's development will be outside of our direct control. In addition, there can be no assurance that such third parties will perform all of their obligations under arrangements with us or will perform those obligations satisfactorily.

If we fail to obtain additional financing, we will be unable to complete the development and commercialization of our product candidates or continue our research and development programs.

In addition to the funds raised in our recent private placements, we may be required to raise additional capital to complete the development and to begin commercialization of our current and future product candidates. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue one or more of our clinical trials, and the commercialization of our diagnostic tests.

If third-party payors, including managed care organizations and Medicare, do not provide reimbursement for our products, their commercial success could be compromised.

Our Breast Cancer Diagnostic test has an anticipated list price of $2,500. Physicians and patients may decide not to order the Breast Cancer Diagnostic test unless third-party payors, such as managed care organizations as well as government payors such as Medicare and Medicaid, pay a substantial portion or all of the test's price. There is significant uncertainty concerning third-party reimbursement of any test incorporating new technology, including our Breast Cancer Diagnostic test and any of our future diagnostics and therapies. Reimbursement by a third-party payor may depend on a number of factors, including a payor's determination that tests using our technologies are:

- not experimental or investigational,
- medically necessary,
- appropriate for the specific patient,
- cost-effective, and
- supported by peer-reviewed publications.

Since each payor makes its own decision as to whether to establish a policy to reimburse, seeking these approvals is a time-consuming and costly process. To date, we have not secured policy-level reimbursement approval from any third-party payors and have no approvals for state Medicaid programs. We cannot be certain that coverage for our products will be provided in the future by any third-party payors.

Several entities conduct technology assessments of new medical tests and devices and provide the results of their assessments for informational purposes to other parties. These assessments may be used by third-party payors and health care providers such as Blue Cross and Blue Shield plans, which collectively provide healthcare coverage for nearly one-third of all Americans, as grounds to deny coverage for a test or procedure. These assessments have not yet been carried for our Breast Cancer Diagnostic test. We can offer no assurance that these evaluations will ever be conducted, and if conducted, will result in a positive conclusion resulting in any third party reimbursement to us.

Insurers, including managed care organizations as well as government payors such as Medicare, have increased their efforts to control the cost, utilization and delivery of health care services. From time to time, the United States Congress has considered and implemented changes in the Medicare fee schedules in conjunction with budgetary legislation. Further reductions of reimbursement for Medicare services may be implemented from time to time. Reductions in the reimbursement rates of other third-party payors have occurred and may occur in the future. These measures have resulted in reduced prices, added costs and decreased test utilization for the clinical laboratory industry.

If we are unable to obtain reimbursement approval from private payors and Medicare and Medicaid programs for our diagnostic tests, or if the amount reimbursed is inadequate, our ability to generate revenues could be limited. Even if we are being reimbursed, insurers may withdraw their coverage policies or cancel their contracts with us at any time or stop paying for our tests, which would reduce our revenue.

We may experience delays in our clinical trials that could adversely affect our financial position and our commercial prospects.

Any delays in completing our clinical trials for our Breast Cancer Diagnostic test and our MenaCalc™ platform of diagnostics assays may delay our ability to raise additional capital or to generate revenue, and we may have insufficient capital resources to support our operations. Even if we have sufficient capital resources, the ability to become profitable will be delayed if there are problems with the timing or completion of our clinical trials.

Adverse events in our clinical trials may force us to stop development of our product candidates or prevent regulatory approval, if needed, of our product candidates.

Our technology platform may provide us the opportunity to develop therapeutic candidates to preemptively suppress or eliminate metastasis. The eventual testing of our product candidates in human clinical trials may produce serious adverse events. These adverse events could interrupt, delay or halt clinical trials of product candidates and could result in the FDA or other regulatory authorities denying approval of our product candidates for any or all targeted indications. An independent data safety monitoring board, the FDA, other regulatory authorities or we may suspend or terminate clinical trials at any time. We cannot assure that any of our product candidates will be safe for human use.

If our product candidates do not meet safety or efficacy endpoints in clinical evaluations, they will not receive regulatory approval and we will be unable to market them.

The regulatory approval process typically is extremely expensive, takes many years and the timing of any approval cannot be accurately predicted. If we fail to obtain regulatory approval for our current or future product candidates, we will be unable to market and sell such products and therefore may never be profitable. The FDA and other regulatory agencies can delay, limit or deny approval for many reasons, including: (i) a product candidate may not be safe or effective; (ii) the manufacturing processes or facilities we have selected may not meet the applicable requirements; and (iii) changes in FDA's approval policies or adoption of new regulations may require additional work. Any delay in, or failure to receive or maintain, regulatory approval for any of our products could prevent us from ever generating meaningful revenues or achieving profitability.

Even if we receive regulatory approvals, our product candidates may later exhibit adverse effects that limit or prevent their widespread use or that force us to withdraw those product candidates from the market. In addition, a marketed product continues to be subject to strict regulation after approval. Any unforeseen problems with an approved product or any violation of regulations could result in restrictions on the product, including our withdrawal from the market. Any delay in, or failure to receive or maintain regulatory approval for, any of our products could prevent us from ever generating meaningful revenues or achieving profitability.

Healthcare policy changes, including recently enacted legislation reforming the U.S. healthcare system, may have a material adverse effect on our financial condition and results of operations.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, collectively, the PPACA, enacted in March 2010, makes changes that are expected to significantly impact the pharmaceutical and medical device industries and clinical laboratories. Beginning in 2013, each medical device manufacturer will have to pay a sales tax in an amount equal to 2.3% of the price for which such manufacturer sells its medical devices that are listed with the FDA. Although the FDA has contended that clinical laboratory tests that are developed and validated by a laboratory for its own use, or LDTs, such as our MetaSite Breast™ test are medical devices, none of our products are currently listed with the FDA. We cannot assure you that the tax will not be extended to services such as ours in the future. The PPACA also mandates a reduction in payments for clinical laboratory services paid under the Medicare Clinical Laboratory Fee Schedule, or CLFS, of 1.75% through 2015 and a productivity adjustment to the CLFS.

Other significant measures contained in the PPACA include, for example, coordination and promotion of research on comparative clinical effectiveness of different technologies and procedures, initiatives to revise Medicare payment methodologies, such as bundling of payments across the continuum of care by providers and physicians, and initiatives to promote quality indicators in payment methodologies. The PPACA also includes significant new fraud and abuse measures, including required disclosures of financial arrangements with physician customers, lower thresholds for violations and increasing potential penalties for such violations. In addition, the PPACA establishes an Independent Payment Advisory Board, or IPAB, to reduce the per capita rate of growth in Medicare spending. The IPAB has broad discretion to propose policies to reduce expenditures, which may have a negative impact on payment rates for services. The IPAB proposals may impact payments for clinical laboratory services beginning in 2016 and for hospital services beginning in 2020. We are monitoring the impact of the PPACA in order to enable us to determine the trends and changes that may be necessitated by the legislation that may potentially impact on our business over time.

In addition to the PPACA, the effect of which cannot presently be fully quantified given its recent enactment, various healthcare reform proposals have also emerged from federal and state governments. For example, in February 2012, Congress passed the "Middle Class Tax Relief and Job Creation Act of 2012" which in part reduced the potential future cost-based increases to the Medicare Clinical Laboratory Fee Schedule by 2%. Overall the expected total fee cut to the CLFS for 2013 is 2.95% not including a further reduction of 2% anticipated from implementation of the automatic expense reductions (sequester) under the Budget Control Act of 2011, which will go into effect for dates of service on or after April 1, 2013 unless Congress acts to modify the automatic cuts.

The Centers for Medicare and Medicaid Services, CMS, sought public input through the notice and comment period for the Proposed Medicare Physician Fee Schedule, on whether all new AMA Molecular Diagnostic codes be placed on either the Medicare Physician Fee Schedule, which would likely require a 20% patient co-payment for such services, or remain on the CLFS. On November 1, 2012, CMS issued a final rule on the Physician Fee Schedule, which described that these new codes would be placed on the CLFS. On August 31, 2012, CMS also issued a preliminary determination for the 2013 CLFS which proposed not to recognize Multi-Analyte codes with Algorithmic Analyses, or MAAA, and questioned whether algorithm-based tests are covered benefits for Medicare beneficiaries. However, in its final determination released on November 6, 2012, CMS deleted the statement about not covering algorithmic analysis, and stated that laboratories performing MAAA tests for Medicare beneficiaries should continue to bill for these tests in 2013 as they are currently billed under the CLFS. CMS intends to consider its payment policy for MAAAs again in 2013 and may issue a determination to pay or not pay for these tests beginning in 2014. Our current Medicare reimbursement determination was set by a local coverage decision and not set nationally by CMS. These or any future changes in covered benefit determination, proposed fees or mandated reductions in payments may apply to some or all of our clinical laboratory tests delivered to Medicare beneficiaries.

Changes in healthcare policy, such as the creation of broad test utilization limits for diagnostic products in general or requirements that Medicare patients pay for portions of clinical laboratory tests or services received, could substantially impact the sales of our tests, decrease revenues, increase costs and divert management's attention from our business.

We cannot predict whether future healthcare initiatives will be implemented at the federal or state level or in countries outside of the United States in which we may do business, or the effect any future legislation or regulation will have on us. The taxes imposed by the new federal legislation, cost reduction measures and the expansion in government's role in the U.S. healthcare industry may result in decreased profits to us, lower reimbursements by payors for our products or reduced medical procedure volumes, all of which may adversely affect our business, financial condition and results of operations. In addition, sales of our tests outside the United States make us subject to foreign regulatory requirements and cost-reduction measures, which may also change over time.

If the FDA were to begin regulating our* MetaSite *Breast™ test, we could experience significant delays in commercializing the test, be forced to stop our sales, experience significant delays in commercializing any future products, incur substantial costs and time delays associated with meeting requirements for pre-market clearance or approval as well as experience decreased demand for our products and demand for reimbursement of our products.

Clinical laboratory tests like our Breast Cancer Diagnostic test are regulated under the Clinical Laboratory Improvement Amendments of 1988, or CLIA, as administered through the CMS, as well as by applicable state laws. Diagnostic kits that are sold and distributed through interstate commerce are regulated as medical devices by FDA. Clinical laboratory tests that are developed and validated by a laboratory for its own use are called laboratory development tests, or LDTs. Most LDTs currently are not subject to FDA regulation, although reagents or software provided by third parties and used to perform LDTs may be subject to regulation. We believe that our Breast Cancer Diagnostic test is not a diagnostic kit and also believe that it is an LDT. As a result, we believe the Breast Cancer Diagnostic test should not be subject to regulation under established FDA policies. The FDA may decide at any time at its sole discretion to modify these rules, or the United States Congress may enact new legislation, resulting in the need for us to conduct further trials in order to qualify the Breast Cancer Diagnostic test for marketing approval. This may reduce or eliminate any potential revenue from sales of the Breast Cancer Diagnostic test and may necessitate further round(s) of fund raising resulting in substantial dilution to investors.

Testing of potential products may be required and there is no assurance of FDA or any other regulatory approval.

The FDA and comparable agencies in foreign countries impose substantial requirements upon the introduction of both therapeutic and diagnostic biomedical products, through lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. Satisfaction of these requirements typically takes several years or more and varies substantially based upon the type, complexity, and novelty of the product. The effect of government regulation and the need for FDA approval may be to delay marketing of new products for a considerable period of time, to impose costly procedures upon our activities, and to provide an advantage to larger companies that compete with us. There can be no assurance that FDA or other regulatory approval for any products developed by us will be granted on a timely basis or at all. Any such delay in obtaining, or failure to obtain, such approvals would materially and adversely affect the marketing of any contemplated products and the ability to earn product revenue. Further, regulation of manufacturing facilities by state, local, and other authorities is subject to change. Any additional regulation could result in limitations or restrictions on our ability to utilize any of our technologies, thereby adversely affecting our operations. Human diagnostic and pharmaceutical products are subject to rigorous preclinical testing and clinical trials and other approval procedures mandated by the FDA and foreign regulatory authorities. Various federal and foreign statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of pharmaceutical products. The process of obtaining these approvals and the subsequent compliance with appropriate United States and foreign statutes and regulations are time-consuming and require the expenditure of substantial resources. In addition, these requirements and processes vary widely from country to country. Among the uncertainties and risks of the FDA approval process are the following: (i) the possibility that studies and clinical trials will fail to prove the safety and efficacy of the product, or that any demonstrated efficacy will be so limited as to significantly reduce or altogether eliminate the acceptability of the product in the marketplace, (ii) the possibility that the costs of development, which can far exceed the best of estimates, may render commercialization of the drug marginally profitable or altogether unprofitable, and (iii) the possibility that the amount of time required for FDA approval of a product may extend for years beyond that which is originally estimated. In addition, the FDA or similar foreign regulatory authorities may require additional clinical trials, which could result in increased costs and significant development delays. Delays or rejections may also be encountered based upon changes in FDA policy and the establishment of additional regulations during the period of product development and FDA review. Similar delays or rejections may be encountered in other countries.

If we were required to conduct additional clinical trials prior to marketing our diagnostic tests, those trials could lead to delays or failure to obtain necessary regulatory approvals and harm our ability to become profitable.

The FDA requires extensive pre-market clinical testing prior to submitting a regulatory application for commercial sales. Our Breast Cancer Diagnostic test and our product candidates require pre-market clinical trials, and whether using prospectively acquired samples or archival samples, delays in the commencement or completion of clinical testing could significantly increase our test development costs and delay commercialization. Many of the factors that may cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to delay or denial of regulatory approval. The commencement of clinical trials may be delayed due to insufficient patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites and the eligibility criteria for the clinical trial. We may find it necessary to engage contract research organizations to perform data collection and analysis and other aspects of our clinical trials, which might increase the cost and complexity of our trials. We may also depend on clinical investigators, medical institutions and contract research organizations to perform the trials properly. If these parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality, completeness or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or for other reasons, our clinical trials may have to be extended, delayed or terminated. Many of these factors would be beyond our control. We may not be able to enter into replacement arrangements without undue delays or considerable expenditures. If there are delays in testing or approvals as a result of the failure to perform by third parties, our research and development costs would increase, and we may not be able to obtain regulatory approval for our test. In addition, we may not be able to establish or maintain relationships with these parties on favorable terms, if at all. Each of these outcomes would harm our ability to market our test, or to become profitable.

Complying with numerous regulations pertaining to our business is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

We are subject to CLIA, a federal law that regulates clinical laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of disease. CLIA is intended to ensure the quality and reliability of clinical laboratories in the United States by mandating specific standards in the areas of personnel qualifications, administration, and participation in proficiency testing, patient test management, quality control, quality assurance and inspections. We plan to obtain a certificate of accreditation under CLIA to perform testing. To renew the certificate of accreditation, we will be subject to survey and inspection every two years. Moreover, CLIA inspectors may make random inspections of our laboratory. Currently, CLIA regulations do not include specific standards for a genetic specialty.

If we were to lose our CLIA accreditation or appropriate state license(s), whether as a result of a revocation, suspension or limitation, we would no longer be able to sell our Breast Cancer Diagnostic test, or other diagnostic tests, which would significantly harm our business. If we were to lose our license in other states where we are required to hold licenses, we would not be able to test specimens from those states.

We are subject to other regulations by both the federal government and the states in which we conduct our business, including:

- Medicare billing and payment regulations applicable to clinical laboratories;
- the federal Medicare and Medicaid Anti-kickback Law and state anti-kickback prohibitions;
- the federal physician self-referral prohibition, commonly known as the Stark Law, and the state equivalents;
- the federal Health Insurance Portability and Accountability Act of 1996;
- the Medicare civil money penalty and exclusion requirements; and
- the federal civil and criminal False Claims Act.

We have and will continue to adopt policies and procedures designed to comply with these laws, including policies and procedures relating to financial arrangements between us and physicians who refer patients to us. In the ordinary course of our business, we conduct internal reviews of our compliance with these laws. Our compliance is also subject to governmental review. The growth of our business and sales organization may increase the potential of violating these laws or our internal policies and procedures. The risk of our being found in violation of these laws and regulations is further increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action brought against us for violation of these laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of these laws and regulations, we may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages and fines, we could be required to refund payments received by us, and we could be required to curtail or cease our operations. Any of the foregoing consequences could seriously harm our business and our financial results.

Initially, our financial results will depend on sales of one test, the* MetaSite *Breast™ test, and we will need to generate sufficient revenues from this and our other diagnostics or therapies to run our business.

For the foreseeable future, we expect to derive substantially all of our revenues from sales of our Breast Cancer Diagnostic test. We anticipate commencing full implementation of our sales and marketing strategy as early as 2015.. We are in various stages of research and development for other function-based diagnostic assays that we may offer as well as for enhancements to our existing test. We do not currently expect to commercialize these additional tests for additional cancer indications until at least 2016, and we are not currently able to estimate when we may be able to commercialize therapeutics for cancer metastasis or whether we will be successful in doing so. If we are unable to increase sales of the Breast Cancer Diagnostic test or to successfully develop and commercialize other diagnostic tests, enhancements, or therapeutics, our revenues and our ability to achieve profitability would be impaired, and the market price of our common stock could decline.

We may experience limits on our revenues if physicians decide not to order our tests.

If medical practitioners do not order the Breast Cancer Diagnostic test or any future tests developed by us, we will likely not be able to create demand for our products in sufficient volume for us to become profitable. To generate demand, we will need to continue to make oncologists, surgeons and pathologists aware of the benefits of the Breast Cancer Diagnostic test and any products we may develop in the future through published papers, presentations at scientific conferences and one-on-one education by our sales force. Some physicians may decide not to order our test due to its price, part or all of which may be payable directly by the patient if the applicable payor denies reimbursement in full or in part. Even if patients recommend that their physicians use our test, physicians may still decide not to use the Breast Cancer Diagnostic test, either because they have not been made aware of its utility or they wish to pursue a particular course of therapy regardless of test results. If only a small portion of the physician population decides to use our test, we will experience limits on our revenues and our ability to achieve profitability. In addition, we will need to demonstrate our ability to obtain adequate reimbursement coverage from third-party payors.

We may experience limits on our revenues if patients decide not to use our test.

Some patients may decide not to order our test due to its price, part or all of which may be payable directly by the patient if the applicable payor denies reimbursement in full or in part. Even if medical practitioners recommend that their patients use our test, patients may still decide not to use the Breast Cancer Diagnostic test, either because they do not want to be made aware of the likelihood of metastasis or they wish to pursue a particular course of therapy regardless of test results. If only a small portion of the patient population decides to use our test, we will experience limits on our revenues and our ability to achieve profitability.

If we are unable to develop products to keep pace with rapid technological, medical and scientific change, our operating results and competitive position would be harmed.

In recent years, there have been numerous advances in technologies relating to the diagnosis and treatment of cancer. These advances require us to continuously develop new products and enhance existing products to keep pace with evolving standards of care. Our tests could become obsolete unless we continually innovate and expand our products to demonstrate recurrence and treatment benefit in patients treated with new therapies. New treatment therapies typically have only a few years of clinical data associated with them, which limits our ability to perform clinical studies and correlate sets of genes to a new treatment's effectiveness. If we are unable to demonstrate the applicability of our test to new treatments, then sales of our test could decline, which would harm our revenues.

If we become subject to product liability claims, the damages may exceed insurance coverage levels.

We will obtain liability insurance for our product candidates as each is entered into large population validation studies and/or any other studies where such liability insurance is needed. We cannot predict all of the possible harms or side effects that may result from the use of our products and, therefore, the amount of insurance coverage we currently hold, or that we or our collaborators may obtain, may not be adequate to protect us from any claims arising from the use of our products that are beyond the limit of our insurance coverage. If we cannot protect against potential liability claims, we or our collaborators may find it difficult or impossible to commercialize our products, and we may not be able to renew or increase our insurance coverage on reasonable terms, if at all.

If we are unable to develop adequate sales, marketing or distribution capabilities or enter into agreements with third parties to perform some of these functions, we will not be able to commercialize our products effectively.

We may have a limited infrastructure in sales, marketing and distribution. To directly market and distribute any products, we must effectively build a sales and marketing organization with appropriate technical expertise and distribution capabilities. We may not be able to establish sales, marketing and distribution capabilities of our own or enter into such arrangements with third parties in a timely manner or on acceptable terms.

If we do not find development and commercialization collaborators for our product candidates, we may have to reduce or delay our rate of product development and commercialization and increase our expenditures.

We may enter into relationships with selected biotechnology companies to help develop and commercialize our product candidates, especially in the field of therapeutics. If we are not able to establish such collaborative arrangements, we may have to reduce or delay further development of some of our programs, increase our planned expenditures and undertake development and commercialization activities at our own expense.

If we enter into development or commercialization collaborations with biotechnology companies, these relationships will also be subject to a number of risks, including: (i) collaborators may not pursue further development and commercialization of products resulting from collaborations or may elect not to renew research and development programs; (ii) collaborators may delay clinical trials, underfund a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require the development of a new formulation of a product candidate for clinical testing; (iii) a collaborator with marketing and distribution rights to one or more of our products may not commit enough resources to the marketing and distribution of our products, limiting our potential revenues from the commercialization of these products; and (iv) disputes may arise delaying or terminating the research, development or commercialization of our product candidates, or result in significant legal proceedings.

Once we have a laboratory facility, it will be our sole laboratory facility and should it become inoperable, we will be unable to perform our tests and our business will be harmed.

We do not currently have laboratory facilities. However, we do expect to open a laboratory facility in the New York metropolitan area. The facility may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, flooding and power outages, which may render it difficult or impossible for us to perform our tests for some period of time. The inability to perform our tests may result in the loss of customers or harm our reputation, and we may be unable to regain those customers in the future. Although we possess insurance for damage to our property and the disruption of our business, this insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

In order to rely on a third party to perform our tests, we could only use another facility with established state licensure and CLIA accreditation under the scope of which our Breast Cancer Diagnostic test could be performed following validation and other required procedures. We cannot assure you that we would be able to find another CLIA-certified facility willing to adopt the Breast Cancer Diagnostic test and comply with the required procedures, or that this laboratory would be willing to perform the tests for us on commercially reasonable terms. In order to establish a redundant laboratory facility, we would have to spend considerable time and money securing adequate space, constructing the facility, recruiting and training employees, and establishing the additional operational and administrative infrastructure necessary to support a second facility. Additionally, any new clinical laboratory facility opened by us would be subject to certification under CLIA and licensed by several states, including California and New York, which can take a significant amount of time and result in delays in our ability to begin operations.

We rely on a limited number of suppliers or, in some cases, a sole supplier, for some of our laboratory instruments and materials and may not be able to find replacements in the event our supplier no longer supplies that equipment.

We expect to rely on Perkin Elmer to supply some of the laboratory equipment on which we perform our tests. We will periodically forecast our needs for laboratory equipment and enter into standard purchase orders or leasing arrangements based on these forecasts. We believe that there are relatively few equipment manufacturers that are currently capable of supplying the equipment necessary for the Breast Cancer Diagnostic test. Even if we were to identify other suppliers, there can be no assurance that we will be able to enter into agreements with such suppliers on a timely basis on acceptable terms, if at all. If we should encounter delays or difficulties in securing from Perkin Elmer the quality and quantity of equipment we require for the Breast Cancer Diagnostic test, we may need to reconfigure our test process, which would result in delays in commercialization or an interruption in sales. If any of these events occur, our business and operating results could be harmed. Additionally, if Perkin Elmer deems us to have become uncreditworthy, it has the right to require alternative payment terms from us, including payment in advance. We may also be required to indemnify Perkin Elmer against any damages caused by any legal action or proceeding brought by a third party against Perkin Elmer for damages caused by our failure to obtain required approval with any regulatory agency.

We may also rely on several sole suppliers for certain laboratory materials such as reagents, which we use to perform our tests. Although we believe that we will be able to develop alternate sourcing strategies for these materials, we cannot be certain that these strategies will be effective. If we should encounter delays or difficulties in securing these laboratory materials, delays in commercialization or an interruption in sales could occur.

Our success depends on retention of key personnel.

We are dependent on our management team members, including Dr. Oscar L. Bronsther, our chief executive officer and chief medical officer. Our future success also will depend in large part on our continued ability to attract and retain other highly qualified scientific, technical and management personnel, as well as personnel with expertise in sales and marketing, clinical testing, and governmental regulation. We face competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations. If we are unsuccessful in our recruitment and retention efforts, our business will be harmed.

Our corporate compliance program cannot guarantee that we are in compliance with all potentially applicable regulations.

The development, manufacturing, pricing, sales, and reimbursement of our products, together with our general operations, are subject to extensive regulation by federal, state and other authorities within the United States and numerous entities outside of the United States. While we have developed and instituted a corporate compliance program based on what we believe are the current best practices, we cannot assure you that we are or will be in compliance with all potentially applicable regulations. If we fail to comply with any of these regulations, we could be subject to a range of regulatory actions, including suspension or termination of clinical trials, the failure to approve a product candidate, restrictions on our products or manufacturing processes, withdrawal of products from the market, significant fines, or other sanctions or litigation.

Our operations may involve hazardous materials, and compliance with environmental laws and regulations is expensive.

Our future research and development activities may involve the controlled use of hazardous materials, including chemicals that cause cancer, volatile solvents, radioactive materials and biological materials including human tissue samples that have the potential to transmit diseases. Our operations may also produce hazardous waste products. We are subject to a variety of federal, state and local regulations relating to the use, handling and disposal of these materials. We generally may contract with third parties for the disposal of such substances and may store certain low level radioactive waste at our facility until the materials are no longer considered radioactive. While we believe that we will comply with then current regulatory requirements, we cannot eliminate the risk of accidental contamination or injury from these materials. We may be required to incur substantial costs to comply with current or future environmental and safety regulations. If an accident or contamination occurred, we would likely incur significant costs associated with civil penalties or criminal fines and in complying with environmental laws and regulations.

If we use biological and hazardous materials in a manner that causes injury, we could be liable for damages.

Our activities may require the controlled use of potentially harmful biological materials, hazardous materials and chemicals and may in the future require the use of radioactive compounds. We cannot eliminate the risk of accidental contamination or injury to employees or third parties from the use, storage, handling or disposal of these materials. In the event of contamination or injury, we could be held liable for any resulting damages, and any liability could exceed our resources or any applicable insurance coverage we may have. Additionally, we are subject on an ongoing basis to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with these laws and regulations might be significant and could negatively affect our operating results.

Risks Related to Intellectual Property

If we are unable to protect our intellectual property, we may not be able to compete effectively.

Our success will depend in part on our ability to obtain or license patents and enforce patent protection of our products and licensed technologies, as well as the ability of the Licensors to enforce patent protection covering the patents which we license pursuant to the License Agreement, Second License Agreement, Third License Agreement and the 2014 Alternative Splicing License Agreements both in the United States and other countries to prevent our competitors from developing, manufacturing and marketing products based on our technology. The patent positions of biotechnology companies, such as us, are generally uncertain and involve complex legal and factual questions. We will be able to protect our licensed intellectual property rights from unauthorized use by third parties only to the extent that our licensed technologies are covered by any valid and enforceable patents or are effectively maintained as trade secrets. We could incur substantial costs in seeking enforcement of any eventual patent rights against infringement, and we cannot guarantee that patents that we obtain or in-license will successfully preclude others from using technology that we rely upon. We have applied and intend to apply for patents in the United States and other countries covering our technologies and therapies as and when we deem appropriate. However, these applications may be challenged or may fail to result in issued patents. We cannot predict the breadth of claims that maybe allowed and issued in patents related to biotechnology applications. The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. For example, methods of treating humans are not patentable in many countries outside of the United States.

The coverage claimed in a patent application can be significantly narrowed before a patent is issued, both in the United States and other countries. We do not know whether any of the pending or future patent applications will result in the issuance of patents. Any patents we or the Licensors obtain may not be sufficiently broad to prevent others from using our technologies or from developing competing therapeutic products based on our technology or proprietary therapies. Once any such patents have issued, we cannot predict how the claims will be construed or enforced. Furthermore, others may independently develop similar or alternative technologies or design around our patents.

To the extent patents may be issued, we do not know whether these patents will be subject to further proceedings that may limit their scope, provide significant proprietary protection or competitive advantage, or cause them to be circumvented or invalidated. Furthermore, patents that may issue on our or the Licensors pending applications may become subject to dispute, including interference, reissue or reexamination proceedings in the United States, or opposition proceedings in foreign countries. Any of these proceedings could result in the limitation or loss of rights.

We may rely on trade secret protection for our confidential and proprietary information. We have taken measures to protect our proprietary information and trade secrets, but these measures may not provide adequate protection. While we seek to protect our proprietary information by entering into confidentiality agreements with employees, collaborators and consultants, we cannot assure that our proprietary information will not be disclosed, or that we can meaningfully protect our trade secrets. In addition, competitors may independently develop or may have already developed substantially equivalent proprietary information or may otherwise gain access to our trade secrets.

The pending patent applications that we have in-licensed or that we may in-license in the future may not result in issued patents, and we cannot assure you that our issued patent or any patents that might ultimately be issued by the United States Patent and Trademark Office will protect our technology. Any patents that may be issued to us might be challenged by third parties as being invalid or unenforceable, or third parties may independently develop similar or competing technology that avoids our patents. We cannot be certain that the steps we have taken will prevent the misappropriation and use of our intellectual property, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

From time to time, the United States Supreme Court, other federal courts, the United States Congress or the United States Patent and Trademark Office may change the standards of patentability and any such changes could have a negative impact on our business. For example, on September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law, and includes a number of significant changes to United States patent law. These include changes to transition from a "first-to-invent" system to a "first-to-file" system and to the way issued patents are challenged. These changes may favor larger and more established companies that have more resources to devote to patent application filing and prosecution. The United States Patent and Trademark Office is currently developing regulations and procedures to administer the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act will not become effective until one year or 18 months after its enactment. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will ultimately have on the cost of prosecuting our patent applications, our ability to obtain patents based on our discoveries and our ability to enforce or defend our issued patents..

Litigation or third party claims of intellectual property infringement could impair our ability to develop and commercialize our products successfully.

Our success will depend in part on our ability to avoid infringing patents and proprietary rights of third parties, and not breaching any licenses that we have entered into with regard to our technologies. A number of pharmaceutical companies, biotechnology companies, independent researchers, universities and research institutions may have filed patent applications or may have been granted patents that cover technologies similar to the technologies owned by or licensed to us. For instance, a number of patents may have issued and may issue in the future on tests and technologies that we have developed or intend to develop. If patents covering technologies required by our operations are issued to others, we may have to rely on licenses from third parties, which may not be available on commercially reasonable terms, or at all.

We have no knowledge of any infringement or patent litigation, threatened or filed at this time. It is possible that we may infringe on intellectual property rights of others without being aware of the infringement. If a patent holder believes that one of our product candidates infringes on our patent, it may sue we even if we has received patent protection for our technology. Third parties may claim that we are employing our proprietary technology without authorization. In addition, third parties may obtain patents that relate to our technologies and claim that use of such technologies infringes these patents. Regardless of their merit, such claims could require us to incur substantial costs, including the diversion of management and technical personnel, in defending ourselves against any such claims or enforcing our patents. In the event that a successful claim of infringement is brought against us, we may be required to pay damages and obtain one or more licenses from third parties. We may not be able to obtain these licenses at a reasonable cost, or at all. Defense of any lawsuit or failure to obtain any of these licenses could adversely affect our ability to develop and commercialize our products.

Our rights to use technologies licensed from third parties are not within our control, and we may not be able to sell our products if we lose our existing rights or cannot obtain new rights on reasonable terms.

We license technology necessary to develop our products from third parties. For example, we license technology from MIT, Einstein, Cornell and IFO-Regina located in Rome, Italy, that we use to analyze tissue samples in our tests and that we use in our sponsored research to develop additional tests and to develop anti-metastasis therapeutics. In return for the use of a third party's technology, we have agreed to pay the licensors royalties based on sales of our products. Royalties are a component of cost of product revenues and impact the profit margin from sales of our test. We may need to license other technology to commercialize future products. Our liquidity issues in the past have sometimes caused a delay in payment under our existing license agreements. Our business may suffer if we are unable to meet our obligations, financial or otherwise, under our existing license agreements and these licenses terminate, if the licensors fail to abide by the terms of the license or fail to prevent infringement by third parties, if the licensed patents or other rights are found to be invalid or if we are unable to enter into necessary licenses on acceptable terms.

Risks Related to our Securities

Insiders have substantial control over us, and they could delay or prevent a change in our corporate control even if our other stockholders wanted it to occur.

Our executive officers, directors, and principal stockholders hold approximately a large majority of our outstanding common stock. Accordingly, these stockholders are able to control all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This could delay or prevent an outside party from acquiring or merging with us even if our other stockholders wanted it to occur.

We cannot assure you that the common stock will become liquid or that it will be listed on a securities exchange. In addition, there may not be sufficient liquidity in the market for our securities in order for investors to sell their securities.

Currently, we are quoted on the OTC Bulletin Board, where an investor may find it difficult to obtain accurate quotations as to the market value of our common stock. In addition, if we fail to meet the criteria set forth in SEC regulations, by law, various requirements would be imposed on broker-dealers who sell its securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect its liquidity. In addition, there is currently only a limited public market for our common stock and there can be no assurance that a trading market will develop further or be maintained in the future.

In order to raise sufficient funds to expand our operations, we may have to issue additional securities at prices, which may result in substantial dilution to our shareholders.

If we raise additional funds through the sale of equity or convertible debt, our current stockholders' percentage ownership will be reduced. In addition, these transactions may dilute the value of our outstanding securities. We may have to issue securities that may have rights, preferences and privileges senior to our common stock. We cannot provide assurance that we will be able to raise additional funds on terms acceptable to us, if at all. If future financing is not available or is not available on acceptable terms, we may not be able to fund our future needs, which would have a material adverse effect on our business plans, prospects, results of operations and financial condition.

The market price of our common stock may be volatile.

The market price of our common stock has been and will likely continue to be highly volatile, as is the stock market in general, and the market for OTC Bulletin Board quoted stocks in particular. Some of the factors that may materially affect the market price of our common stock are beyond our control, such as changes in financial estimates by industry and securities analysts, conditions or trends in the industry in which we operate or sales of our common stock. These factors may materially and adversely affect the market price of our common stock, regardless of our performance. In addition, the public stock markets have experienced extreme price and trading volume volatility. This volatility has significantly affected the market prices of securities of many companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of our common stock.

Because we became a public company by means of a "reverse merger," we may not be able to attract the attention of major brokerage firms and we will also be subject to a one-year "seasoning period" before we will be permitted to list our securities on a securities exchange.

Additional risks may exist since we became public through a "reverse takeover." Securities analysts of major brokerage firms may not provide coverage of our securities since there is little incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will want to conduct any secondary offerings on our behalf in the future. In addition, companies that become public through a "reverse takeover" are not permitted to list their securities on a securities exchange until (i) the company has completed a one-year "seasoning period" by trading in the United States over-the-counter market or on another regulated United States or foreign exchange following the reverse merger, and filed all required reports with the SEC, including audited financial statements, and (ii) the company maintains the requisite minimum share price for a sustained period, and for at least 30 of the 60 trading days, immediately prior to its listing application and the exchange's decision to list.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to annually furnish a report by our management on our internal control over financial reporting. Such report must contain, among other matters, an assessment by our principal executive officer and our principal financial officer on the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal control over financial reporting is effective as of the end of our fiscal year. This assessment must include disclosure of any material weakness in our internal control over financial reporting identified by management. In addition, under current SEC rules, we may be required to obtain an attestation from our independent registered public accounting firm as to our internal control over financial reporting for our annual report on Form 10-K covering our next fiscal year. Performing the system and process documentation and evaluation needed to comply with Section 404 is both costly and challenging. During the course of our testing we may identify deficiencies which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act of 2002 for compliance with the requirements of Section 404. In addition, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Failure to achieve and maintain an effective internal control environment could also cause investors to lose confidence in our reported financial information, which could have a material adverse effect on the price of our common stock.

Our common stock is considered "penny stock."

The SEC has adopted regulations, which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. The market price of the common stock is currently less than $5.00 per share and therefore may be a "penny stock." Brokers and dealers effecting transactions in "penny stock" must disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell the common stock and may affect your ability to sell shares.

The market for penny stocks has experienced numerous frauds and abuses, which could adversely impact investors in our stock.

Over-the-Counter Bulletin Board, or OTCBB, securities are frequent targets of fraud or market manipulation, both because of their generally low prices and because OTCBB reporting requirements are less stringent than those of the stock exchanges or NASDAQ.

Patterns of fraud and abuse include:

- Control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- Manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- "Boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- Wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

Our management is aware of the abuses that have occurred historically in the penny stock market.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

We maintain an executive office at 8 Hillside Avenue, Suite 207, Montclair, New Jersey 07042. On March 1, 2014 entered into a six month lease arrangement for 550 square feet of executive offices at 1510 Broadway, 23rd Floor, New York, NY 10018 for $5,700 per month for our management and administrative facilities. This lease agreement will automatically renew for successive periods under the same terms unless alternative arrangements have been made in writing at least sixty days prior to the end date.

Effective as of September 1, 2013, we entered into an agreement of lease with Long Island High Technology Incubator, Inc. in connection with our new drug discovery research facility located in Stony Brook, NY. The term of the lease is for one year, from September 1, 2013 through August 31, 2014, and the rent payable thereunder is $28,000 per year, payable in monthly installments of $2,333.

We anticipate entering into a lease agreement for a commercial reference laboratory and research and development space, as early as the second half of calendar 2014.

Item 3. LEGAL PROCEEDINGS

We are not engaged in any material litigation, arbitration or claim, and no material litigation, arbitration or claim is known by our management to be pending or threatened by or against us that would have a material adverse effect on our results from operations or financial condition.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price Information for our Common Stock

Our common stock is quoted on the OTCBB under the symbol "MTST." The following table sets forth the high and low bid information for our common stock for the two most recent fiscal years. The OTCBB quotations reflect inter-dealer prices, are without retail markup, markdowns or commissions, and may not represent actual transactions.

	Common Stock	
	High	Low
March 1, 2012 through May 31, 2012	$ 5.00	$ 0.15
June 1, 2012 through August 31, 2012	$ 6.00	$ 3.00
September 1, 2012 through November 30, 2012	$ 4.25	$ 3.00
December 1, 2012 through February 28, 2013	$ 3.75	$ 3.50
March 1, 2013 through May 31, 2013	$ 3.50	$ 2.43
June 1, 2013 through August 31, 2013	$ 2.60	$ 1.50
September 1, 2013 through November 30, 2013	$ 1.79	$ 1.30
December 1, 2013 through February 28, 2014	$ 1.91	$ 1.33

On June 12, 2014, the last reported price for our common stock on the OTC Bulletin Board was $1.09

Number of Record Holders of Our Common Stock

As of June 10, 2014, we had 21,623,899 shares of our common stock outstanding and 130 holders of record of our common stock. The number of record holders was determined from our records and the records of our transfer agent.

Dividend Policy

We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our common stock for the foreseeable future.

Future cash dividends, if any, will be at the discretion of our board of directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors as our board of directors may deem relevant. We can pay dividends only out of our profits or other distributable reserves and dividends or distribution will only be paid or made if we are able to pay our debts as they fall due in the ordinary course of business.

Securities Authorized for Issuance Under Equity Compensation Plans

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,680,000	$ 1.70	33,776
Total	2,680,000	$ 1.70	33,776

* Does not include 403,013 restricted shares of common stock issued under the Plan.

Recent Sales of Unregistered Securities

May 2014 Convertible Note and Warrant Offering

In May and June 2014, we entered into separate convertible note and warrant purchase agreements with certain accredited investors for the issuance and sale in a private placement consisting of, in the aggregate: (a) $165,000 principal amount of convertible promissory notes (the "May 2014 Notes") convertible into shares of our common stock, par value $0.0001 per share (the "Common Stock"), and (b) five-year warrants to purchase up to 55,001 shares of Common Stock at an exercise price of $1.50 per share, for aggregate gross proceeds of $165,000.

The May 2014 Notes bear interest at the rate of 8% per annum, mature on August 15, 2014 and rank *pari passu* to the Company's currently issued and outstanding 2013 Notes, 2014 Notes, and Additional 2014 Notes and senior to the Company's issued and outstanding equity securities. Upon the closing by the Company of an equity or equity based financing or a series of equity or equity based financings (a "Qualified Financing") resulting in gross proceeds to the Company of at least $5,000,000 in the aggregate and the Company, prior to or concurrent with the completion of the Qualified Financing, (the "Qualified Financing Threshold Amount"), the outstanding principal amount of the May 2014 Notes together with all accrued and unpaid interest (the "Outstanding Balance") shall automatically convert into such securities, including Warrants of the Company as are issued in the Qualified Financing, the amount of which shall be determined in accordance with the following formula: (the Outstanding Balance as of the closing of the Qualified Financing) x (**1.15**) / (the per security price of the securities sold in the Qualified Financing). For purposes of determining whether the Qualified Financing Threshold Amount has been satisfied, such amount shall include (i) the Outstanding Balance of the May 2014 Notes, (ii) the outstanding principal amount of the 2013 Notes, (iii) the outstanding principal amount of the 2014 Notes, and (iv) the outstanding principal amount of the Additional 2014 Notes, together with all accrued and unpaid interest thereunder.

The forms of each of the convertible note and warrant purchase agreement, May 2014 Note and warrant are attached to this Annual Report on Form 10-K as Exhibits 10.15, 4.4 and 4.5, respectively, and are incorporated herein by reference. Each of the issuances reflected above were exempt from registration pursuant to Section 4(2) of, and Regulation D promulgated under, the Securities Act of 1933, as amended.

Item 6. SELECTED FINANCIAL DATA

Not applicable.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements and the related notes to the consolidated financial statements included elsewhere in this Form 10-K. Our audited consolidated financial statements have been prepared in accordance with U.S. GAAP. In addition, our audited consolidated financial statements and the financial data included in this Form 10-K reflect our reorganization and have been prepared as if our current corporate structure had been in place throughout the relevant periods. The following discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth under the heading "Risk Factors" and elsewhere in this Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements.

Business Overview

We are a development stage life sciences company that is focused on developing and commercializing novel diagnostic tests and therapeutics for the early and reliable prediction and treatment of systemic metastasis - cancer that spreads from a primary tumor through the bloodstream to other areas of the body. Systemic metastasis is responsible for ~90% of all solid tumor cancer related deaths and as such, we believe the more effective treatment of metastatic disease and/or the prevention of metastasis is needed to improve patient outcomes. Our initial Breast Cancer Diagnostic test will be used for early stage breast cancer patients to predict the likelihood of systemic metastasis. We anticipate all tumor samples will be sent to our clinical reference laboratory that we anticipate establishing in New York for analysis. Upon generation and delivery of a "Metastasis Score" report to the physician, we plan to bill third-party payors for the Breast Cancer Diagnostic test. We project that the list price of our Breast Cancer Diagnostic test will be $2,500.

Clinical studies of 585 patients in the aggregate for the MetaSite *Breast*™ test and 1,203 patients in the aggregate for the MenaCalc™ breast cancer test have successfully been completed to date. In 2014, we plan to initiate additional clinical utility studies for both the MetaSite *Breast*™ and MenaCalc™ breast cancer tests. We anticipate establishing a laboratory that will be a clinical reference laboratory as defined under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA"). Based on CLIA certification, we anticipate commencing initial marketing of the MetaSite *Breast*™ test in 2015 followed by our MenaCalc™ diagnostic assay for breast cancer by late 2015. We plan to initially market to a select number of physicians and cancer centers in targeted markets in the United States. We expect this will subsequently be followed by a national rollout. We believe a subsequent increase in demand will result from the publication of further studies in one or more peer-reviewed scientific/medical journals and the presentation of study results at gatherings such as the ASCO meeting and the San Antonio Breast Cancer Symposium. Initially, we expect our reference laboratory will have the capacity to process up to 1,000 tests per quarter, and our current expansion plan contemplates that we will have capacity to process up to 15,000 tests per quarter by the end of calendar 2015.

We believe the key factors that will drive broader adoption of function-based diagnostic assays will be acceptance by healthcare providers of their clinical benefits, demonstration of the cost-effectiveness of using our tests, expansion of our sales force and increased marketing efforts and expanded reimbursement by third-party payors. Reimbursement by third-party payors is essential to our commercial success. In general, clinical laboratory testing services, when covered, are paid under various methodologies, including prospective payment systems and fee schedules. Reimbursement from payors depends upon whether a service is covered under the patient's policy and if payment practices for the service have been established. As a relatively new diagnostic test, we may be considered investigational by payors and not covered under current reimbursement policies.

Upon commercialization of our Breast Cancer Diagnostic test, we will begin working with third-party payors to establish reimbursement coverage policies. Where policies are not in place, we will pursue case-by-case reimbursement. We believe that as much as 20% of our future revenues may be derived from tests billed to Medicare.

Since our inception, we have generated significant net losses. As of February 28, 2014, we had an accumulated deficit of $10,727,675. We incurred net losses of $5,365,196 and $2,520,579 in the years ended February 28, 2014 and February 28, 2013, respectively. We expect our net losses to continue for at least the next several years. We anticipate that a substantial portion of our capital resources and efforts will be focused on research and development, both to develop additional tests for breast cancer and to develop products for other cancers, and to scale up our commercial organization, and other general corporate purposes. Our financial results will be limited by a number of factors, including establishment of coverage policies by third-party insurers and government payors, our ability in the short term to collect from payors often requiring a case-by-case manual appeals process, and our ability to recognize revenues other than from cash collections on tests billed until such time as reimbursement policies or contracts are in effect. Until we receive routine reimbursement and are able to record revenues as tests are processed and reports delivered, we are likely to continue reporting net losses.

We currently anticipate that our cash and cash equivalents will be sufficient to fund our operations through June 2014, without raising additional capital. Our continuation as a going concern is dependent upon continued financial support from our shareholders, the ability of us to obtain necessary equity and/or debt financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding our ability to continue as a going concern. We cannot make any assurances that additional financings will be available to us and, if available, completed on a timely basis, on acceptable terms or at all. If we are unable to complete a debt or equity offering, or otherwise obtain sufficient financing when and if needed, it would negatively impact our business and operations and could also lead to the reduction or suspension of our operations and ultimately force us to cease our operations.

Financial Operations Overview

General and Administrative Expenses

General and administrative expenses from our inception through February 28, 2014 were $7,345,295. Our general and administrative expenses consist primarily of personnel related costs, legal costs, including intellectual property, accounting costs and other professional and administrative costs.

Research and Development Expenses

Research and development expenses from our inception through February 28, 2014 were $2,365,539 and substantially all of these expenses were focused on the research and development of the MetaSite *Breast*™ test. During this time, the MetaSite *Breast*™ test was not the only product under development. Research and development expenses also represent costs incurred to develop our MenaCalc™ platform of diagnostic assays in breast, lung, and prostate cancers and initial research on our MenaBloc™ therapeutic platform.

We charge all research and development expenses to operations as they are incurred. All potential future product programs, apart from the our Breast Cancer Diagnostic are in the clinical research phase, and the earliest we expect our prostate, lung and colorectal cancer programs to reach the clinical development stage is 2016. However, the expected time frame that a product related to prostate, lung and colorectal cancers can be brought to market is uncertain given the technical challenges and clinical variables that exist between different types of cancers.

We do not record or maintain information regarding costs incurred in research and development on a program or project specific basis. Our research and development staff working under sponsored research agreements and consulting agreements and associated infrastructure resources are deployed across several programs. Many of our costs are thus not attributable to individual programs. We believe that allocating costs on the basis of time incurred by our employees does not accurately reflect the actual costs of a project.

As a result of the uncertainties discussed above, we are unable to determine the duration and completion costs of our research and development programs or when, if ever, and to what extent we will receive cash inflows from the commercialization and sale of a product.

Critical Accounting Policies and Significant Judgments and Estimates

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from those estimates under different assumptions or conditions.

Our significant accounting policies are described in Note 2 to our consolidated financial statements included in this Form 10-K. We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our financial statements.

Stock-based Compensation

We account for share-based payments award issued to employees and members of our Board of Directors by measuring the fair value of the award on the date of grant and recognizing this fair value as stock-based compensation using a straight-line basis over the requisite service period, generally the vesting period. For awards issued to non-employee, the measurement date is the date when the performance is complete or when the award vests, whichever is the earliest. Accordingly, non-employee awards are measured at each reporting period until the final measurement date. The fair value of the award is recognized as stock-based compensation over the requisite service period, generally the vesting period.

Debt Instruments

We analyze debt issuance for various features that would generally require either bifurcation and derivative accounting, or recognition of a debt discount or premium under authoritative guidance.

Detachable warrants issued in conjunction with debt are measured at their relative fair value, if they are determined to be equity instruments, or their fair value, if they are determined to be liability instruments, and recorded as a debt discount. Conversion features that are in the money at the commitment date constitute a beneficial conversion feature that is measured at its intrinsic value and are recognized as debt discount. Debt discount is amortized as accretion expense over the maturity period of the debt using the effective interest method. Contingent beneficial conversion feature are recognized when the contingency has been resolved.

Results of Operations

Comparison of the Years Ended February 28, 2014 and February 28, 2013

Revenues. There were no revenues for the years ended February 28, 2014 and February 28, 2013, respectively, because we have not yet commercialized any of our function-based diagnostics assays.

General and Administrative Expenses. General and administrative expenses totaled $3,526,863 for the year ended February 28, 2014 as compared to $2,000,937 for the year ended February 28, 2013. This represents an increase of $1,525,926 for the year ended February 28, 2014 over the year ended February 28, 2013. This increase was due in part to increases in costs for employee salaries, share-based compensation, legal, including intellectual property, accounting and other professional and consulting costs. General and administrative expenses included share-based compensation of $1,637,584 and $5,269 for the year ended February 28, 2014 and February 28, 2013, respectively, and warrants issued for services of $42,993 and $228,689 for the year ended February 28, 2014 and February 28, 2013, respectively.

Research and Development Expenses.Research and development expenses were $824,336 for the year ended February 28, 2014 as compared to $516,798 for the year ended February 28, 2013. This represents an increase of $307,538 for the year ended February 28, 2014 over the year ended February 28, 2013. This increase resulted primarily from the initiation of our therapeutic development program and share-based compensation. Research and development expenses included share-based compensation of $294,188 for the year ended February 28, 2014 as compared to $0 for the year ended February 28, 2013.

Other Expenses (Income). Other expenses (income) amounted to $1,013,933 for the year ended February 28, 2014 and consisted of $829,969 of accretion expense $137,098 of interest ,expense, and $32,853 loss on extinguishment of debt, all related to convertible promissory notes. There were no comparable transactions during the year ended February 28, 2013.

Net Loss. As a result of the factors described above, we had a net loss of $5,365,196 for the year ended February 28, 2014 as compared to $2,520,579 for the year ended February 28, 2013.

Liquidity and Capital Resources

Since our inception, we have incurred significant losses and, as of February 28, 2014, we had an accumulated deficit of $10,727,675. We have not yet achieved profitability and anticipate that we will continue to incur net losses for the foreseeable future. We expect that our research and development, general and administrative and selling and marketing expenses will continue to grow and, as a result, we will need to generate significant product revenues to achieve profitability. We may never achieve profitability.

Sources of Liquidity

Since our inception, substantially all of our operations have been financed through the sale of our common stock and convertible promissory notes. Through February 28, 2014, we had received net proceeds of $4,283,755 through the sale of common stock to investors and $2,842,000 from the sale of convertible promissory notes. As of February 28, 2014, we had cash and cash equivalents of $483,408 and net debt of $2,475,717. As a result of the most recent sale of shares of common stock and convertible promissory notes, as of February 28, 2014, we have outstanding warrants to purchase 3,146,355 shares of our common stock at a weighted average exercise price of $1.24, which could result in proceeds to us of approximately $3.9 million if all outstanding warrants were exercised for cash.

Cash Flows

As of February 28, 2014, we had $483,408 in cash and cash equivalents, compared to $969,188 on February 28, 2013.

Net cash used in operating activities was $2,199,534 for the year ended February 28, 2014, compared to $2,395,909 for the year ended February 28, 2013. The decrease in cash used of $196,375 was primarily due to an increase of accounts payable to a normalized level for the year ended February 28, 2014 as compared to the year ended February 28, 2013, where accounts payable were reduced.

Net cash used in investing activities was $172,724 for the year ended February 28, 2014, compared to $45,243 for the year ended February 28, 2013. This cash was used for purchases of equipment. We expect amounts used in investing activities to increase in fiscal year 2015 and beyond as we grow our corporate infrastructure, expand research and development activities and establish and add capacity in our commercial laboratory.

Net cash provided by financing activities during the year ended February 28, 2014 was $1,886,478, compared to $2,532,000 for the year ended February 28, 2013. Financing activities consisted primarily of the sale of our convertible promissory notes and common stock purchase warrants for the year ended February 28, 2014 and the sale of our common stock and common stock purchase warrants and convertible promissory notes and common stock purchase warrants for the year ended February 28, 2013.

Capital Raising Requirements

Pursuant to the License Agreement, the Second License Agreement and the Third License Agreement, we are required to meet certain capital raising or financing requirements beginning on the first anniversary of the effective date of the License Agreement, or August 26, 2011. These capital raising requirements are inclusive for all three license agreements. We must meet the following conditions:

1. Raise $750,000 in debt, equity or other financing or revenues by the first anniversary of the effective date of the License Agreement, which requirement has been satisfied by us.

2. Raise $2,000,000 in debt, equity or other financing or revenues by the third anniversary of the effective date, which requirement has been satisfied by us.

3. Raise $5,000,000 in debt, equity or other financing or revenues by the fifth anniversary of the effective date, which requirement has been satisfied by us.

Subsequent Events

Convertible Note and Warrant Offering

In May and June 2014, we entered into separate convertible note and warrant purchase agreements with certain institutional and accredited investors for the issuance and sale in a private placement consisting of, in the aggregate: (a) $165,000 principal amount of Notes convertible into shares of our common stock, and (b) five-year warrants to purchase up to 50,001 shares of common stock at an exercise price of $1.50 per share, for aggregate gross proceeds of $165,000.

Contractual Obligations

As of February 28, 2014, we had the following contractual commitments:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
	(In thousands)				
License Agreement	$ 455	$ 30	$ 225	$ 200	$ (1)
Second License Agreement	$ 397	$ 42	$ 155	$ 200	$ (2)
Third License Agreement	$ 397	$ 42	$ 155	$ 200	$ (3)
Alternative Splicing Diagnostic License Agreement	$ 187	$ 10	$ 77	$ 100	$ (4)
Alternative Splicing Therapeutic License Agreement (6)	$ 0	$ 0	$ 0	$ 0	$ (5)

(1) Amount of additional payments depends on several factors, including the duration of the License Agreement, which depends on expiration of the last patent to be issued pursuant to the License Agreement. That duration is uncertain because the last patent has not yet been issued.

(2) Amount of additional payments depends on several factors, including the duration of the Second License Agreement, which depends on expiration of the last patent to be issued pursuant to the Second License Agreement. That duration is uncertain because the last patent has not yet been issued.

(3) Amount of additional payments depends on several factors, including the duration of the Third License Agreement, which depends on expiration of the last patent to be issued pursuant to the Third License Agreement. That duration is uncertain because the last patent has not yet been issued.

(4) Amount of additional payments depends on several factors, including the duration of the Alternative Splicing Diagnostic License Agreement, which depends on expiration of the last patent to be issued pursuant to the Alternative Splicing Diagnostic License Agreement. That duration is uncertain because the last patent has not yet been issued.

(5) Amount of additional payments depends on several factors, including the duration of the Alternative Splicing Therapeutic License Agreement, which depends on expiration of the last patent to be issued pursuant to the Alternative Splicing Therapeutic License Agreement. That duration is uncertain because the last patent has not yet been issued.

(6) The license maintenance fee pursuant to the Alternative Splicing Therapeutic License Agreement shall not be due for as long as the Alternative Splicing Diagnostic License Agreement is in effect.

Pursuant to the License Agreement, we are required to make a series of annual minimum royalty or “license maintenance” payments under the License Agreement beginning on the first anniversary date, or August 26, 2011. For a period of seven years on each anniversary, we are required to make additional payments in amounts that gradually increase beginning in year five. To date, we have satisfied payments for 2012 and 2013 in the amount of $30,000, respectively. We are required to make additional payments of $30,000 in 2014, $50,000 in 2015, $75,000 in 2016 and $100,000 in 2017 and every year the license is in effect thereafter.

Pursuant to the Second License Agreement, we are required to make a series of annual minimum royalty or "license maintenance" payments beginning on the first anniversary date of the effective date, or January 3, 2013. For a period of seven years on each anniversary, we are required to make additional payments in amounts that gradually increase beginning in year three. We have satisfied the license maintenance payment of $12,000 for the first anniversary in 2013 We are required to make additional payments of $12,000 in 2014, which payment due date has been mutually extended by the parties, $30,000 in each of 2015 and 2016, $50,000 in 2017, $75,000 in 2018 and $100,000 in 2019 and every year the license is in effect thereafter.

Pursuant to the Third License Agreement, we are required to make a series of annual minimum royalty or "license maintenance" payments beginning on the first anniversary date of the effective date, or January 3, 2013. For a period of seven years on each anniversary, we are required to make additional payments in amounts that gradually increase beginning in year three. We have satisfied the license maintenance payment of $12,000 for the first anniversary in 2013. We are required to make additional payments of $12,000 in 2014, which payment due date has been mutually extended by the parties, $30,000 in each of 2015 and 2016, $50,000 in 2017, $75,000 in 2018 and $100,000 in 2019 and every year the license is in effect thereafter.

Pursuant to the Alternative Splicing Diagnostic License Agreement, we paid a license signing fee of $15,000 in connection with entering into the Alternative Splicing Diagnostic License Agreement and in accordance with the terms of the Alternative Splicing Therapeutic License Agreement, we paid a license signing fee of $5,000 in connection with entering into the Alternative Splicing Therapeutic License Agreement. Pursuant to the 2014 Alternative Splicing License Agreements, we are required to make a series of annual minimum royalty or "license maintenance" payments for each license beginning on January 1, 2015. For a period of five years on each anniversary, we are required to make additional payments in amounts that gradually increase each year. The payments are $10,000 in 2015, $15,000 in 2016, $25,000 in 2017, $37,500 in 2018, and $50,000 in 2019, respectively. We are required to make additional payments of $50,000 every year each license is in effect thereafter. The license maintenance fee pursuant to the Alternative Splicing Therapeutic License Agreement shall not be due for as long as the Alternative Splicing Diagnostic License Agreement is in effect. Additionally, these annual license maintenance payments will be credited to running royalties due on net sales earned in the same calendar year.

Effective as of September 1, 2013, the Company entered into an agreement of lease with Long Island High Technology Incubator, Inc. in connection with the Company's new drug discovery research facility located in Stony Brook, New York. The term of the lease is for one year, from September 1, 2013 through August 31, 2014, and the rent payable thereunder is $28,000 per year, payable in monthly installments of $2,333.

On March 1, 2014, we entered into a six-month lease arrangement for 550 square feet of offices at 1510 Broadway, 23rd Floor, New York, NY 10018 for $5,700 per month for our management and administrative facilities. The lease agreement will automatically renew for successive periods under the same terms unless alternative arrangements have been made in writing at least sixty days prior to the end date.

Beginning as early as the first quarter of fiscal 2015, we intend to enter into arrangements for the acquisition of laboratory equipment, computer hardware and software, leasehold improvements and office equipment. We cannot at this time provide assurances that we will be able to enter into agreements with vendors on terms commercially favorable to us or that we will be able to enter into such arrangements without securing additional financing.

Operating Capital and Capital Expenditure Requirements

We expect to continue to incur substantial operating losses in the future and to make capital expenditures to keep pace with the expansion of our research and development programs and to scale up our commercial operations. It may take several years to move any one of a number of product candidates in clinical research through the development and validation phases to commercialization. We expect that the remainder of the net proceeds and our existing cash and cash equivalents will be used to fund working capital and for capital expenditures and other general corporate purposes, such as licensing technology rights, partnering arrangements for the processing of tests outside the United States or reduction of contractual obligations. A portion of the net proceeds may also be used to acquire or invest in complementary businesses, technologies, services or products. We have no current plans, agreements or commitments with respect to any such acquisition or investment, and we are not currently engaged in any negotiations with respect to any such transaction.

The amount and timing of actual expenditures may vary significantly depending upon a number of factors, such as the progress of our product development, regulatory requirements, commercialization efforts, the amount of cash used by operations and progress in reimbursement. We expect that we will receive limited payments for our Breast Cancer Diagnostic test billings from the beginning of our marketing efforts into the foreseeable future. As reimbursement contracts with third-party payors are put into place, we expect an increase in the number and level of payments received for the MetaSite *Breast*™ test billings.

We currently anticipate that our cash and cash equivalents will be sufficient to fund our operations through June 2014, without raising additional capital. We cannot be certain that any of our future efforts to secure reimbursement contract programs or development of future products will be successful or that we will be able to raise sufficient additional funds to see these programs through to a successful result. We are currently exploring various financing options that are available to us.

Our future funding requirements will depend on many factors, including the following:

- the rate of progress in establishing reimbursement arrangements with third-party payors;
- the cost of expanding our commercial and laboratory operations, including our selling and marketing efforts;
- the rate of progress and cost of research and development activities associated with expansion of products for breast cancer;
- the rate of progress and cost of research and development activities associated with products in the research phase focused on cancer, other than breast cancer;
- the cost of acquiring or achieving access to tissue samples and technologies;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the effect of competing technological and market developments;
- the cost and delays in product development as a result of any changes in regulatory oversight applicable to our products; and
- the economic and other terms and timing of any collaborations, licensing or other arrangements into which we may enter.

Until we can generate a sufficient amount of product revenues to finance our cash requirements, which we may never do, we expect to finance future cash needs primarily through public or private equity offerings, debt financings, borrowings or strategic collaborations. The issuance of equity securities may result in dilution to stockholders. We do not know whether additional funding will be available on acceptable terms, or at all. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of or eliminate one or more research and development programs or selling and marketing initiatives. In addition, we may have to work with a partner on one or more of our product development programs or market development programs, which would lower the economic value of those programs to our company.

Income Taxes

Since inception, we have incurred operating losses and, accordingly, have not recorded a provision for income taxes for any of the periods presented. As of February 28, 2014, we had cumulative net operating loss carryforwards for federal income tax purposes of $7,372,397. If not utilized, the federal net operating loss and tax credit carryforwards will expire beginning in the year 2029. Utilization of net operating loss and credit carryforwards may be subject to a substantial annual limitation due to restrictions contained in the Internal Revenue Code that are applicable if we experience an “ownership change.” The annual limitation may result in the expiration of our net operating loss and tax credit carryforwards before they can be used.

Recent Accounting Pronouncements

We have implemented all new relevant accounting pronouncements that are in effect through the date of these financial statements. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

Consolidated Financial Statements

The financial statements required by this item begin on page F-1 hereof.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls include, without limitation, controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to management, including principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management carried out an evaluation, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of disclosure controls and procedures as of February 28, 2014. Based upon that evaluation, management, including the Chief Executive Officer and Chief Financial Officer, concluded that the design and operation of disclosure controls and procedures were not effective at the reasonable assurance level due to a material weakness in our internal control over financial reporting, which is described below.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Securities Exchange Act of 1934, as amended. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of internal control over financial reporting as of February 28, 2014. In making this assessment, management used the criteria set forth by *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment using those criteria, management concluded that internal control over financial reporting was not effective as of February 28, 2014. The primary factors contributing to the material weakness, which relates to our financial statement close process, were:

- Lack of proper segregation of duties due to limited personnel; and
- Lack of a formal review process that includes multiple levels of review, resulting in adjustments related shared based compensation.

As a smaller reporting company, we are not required to obtain an attestation report from our registered public accounting firm regarding internal controls over financial reporting.

Changes in Internal Controls over Financial Reporting.

We have had no changes in internal control over financial reporting during the period ended February 28, 2014 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

Name	Age	Position
Oscar L. Bronsther, M.D., F.A.C.S.	62	Chief Executive Officer, Chief Medical Officer and Director (1)
Warren C. Lau	60	President, Chief Financial Officer and Director (2)
Daniel H. Schneiderman	36	Vice President, Finance, Comptroller and Secretary
Johan M. (Thijs) Spoor	41	Chairman of the Board of Directors (1)
David N. Siegel	52	Director (1)
Patrick T. Mooney, M.D.	46	Director (1)
David M. Epstein, Ph.D.	55	Director (3)

(1) Appointed as a member of our board of directors on February 27, 2012, effective as of April 7, 2012.
(2) Appointed as a member of our board of directors on February 27, 2012.
(3) Appointed as a member of our board of directors on April 16, 2013.

Oscar Bronsther, M.D., F.A.C.S. Dr. Bronsther was appointed as chief medical officer and chairman of our board of directors on February 27, 2012, effective as of April 7, 2012. Dr Bronsther was appointed as our chief executive officer on December 21, 2012, at which time he resigned as chairman of the board. Dr. Bronsther is a Diplomat, American Board of Surgery, and since November 2008, has served as the Chairman, Section of General Surgery, at Inova Fairfax Hospital. Since September 2003, he has also served as Clinical Professor of Surgery at George Washington University in Washington, D.C. From 2005 to 2007, he served as Chairman of the Board of National Transplant Network. Dr. Bronsther received his B.A. from the University of Rochester in 1973, his M.D. from Downstate Medical Center in 1978, was a Fellow in Kidney Transplantation at Downstate Medical Center, and was a Fellow in Liver Transplantation at the University of Pittsburgh Center. Dr. Bronsther's editorial positions include Reviewer, Journal of the American College of Surgeons, Transplantation, Transplant Proceedings, Liver Transplantation and Surgery, and the American Journal of Kidney Disease. Dr. Bronsther is the author of 63 peer-reviewed publications, seven books and book chapters, and has participated in over 30 invited lectures. Dr. Bronsther's broad range of experience in medicine, academia, and administration enable him to provide a unique and valuable perspective to our board of directors.

Warren C. Lau. Mr. Lau has served as our president and director since February 27, 2012. Mr. Lau also served as our chief executive officer from February 27, 2012 to December 21, 2012. Mr. Lau was appointed our chief financial officer on May 1, 2012. From July 2009 until February 2012, Mr. Lau served as Founder, President and CEO of MBM. For over one year prior to the incorporation of MBM in July of 2009, Mr. Lau was active in technology evaluation leading to the founding of the Company. From October 2005 to March 2008, Mr. Lau served as a director and as the founder, president and CEO of HoustonPharma, Inc., a biotechnology company located in Houston, Texas. Mr. Lau was the founder of PharmaFrontiers Corp., a biotechnology company located in Houston, Texas, in February 2003 and served as a member of such company's board of directors and as its president, chief executive officer and treasurer until July of 2004. In 2004, PharmaFrontiers acquired Opexa Pharmaceuticals. Mr. Lau was the founder of Adventrx Pharmaceuticals, Inc. in 1996. He served as its president and CEO and as a member of its board of directors from July 1996 through November 2001. During his time as president and CEO, this company consummated two acquisitions, Immune Complex Corporation in 1997, which was later spun off to the shareholders, and Biokeys Pharmaceuticals, Inc. From November 1997 to September 1998, Mr. Lau served as a director of Immune Complex Corporation and Synthetic Genetics, Inc., privately held biotechnology companies. As our president and chief executive officer, Mr. Lau's significant experience in the life science and biotechnology industries enable him to provide significant insights into our business and make him qualified to be a member of our board of directors.

Daniel H. Schneiderman. Mr. Scheniderman was appointed Vice President of Finance effective December 21, 2012 and has served as the Company's Vice President, Comptroller and Secretary since February 27, 2012. Mr. Schneiderman has ten years of investment banking and corporate finance experience, focusing on private and public equity for small and mid-market capitalization companies mainly in the healthcare and life sciences sectors. Prior to joining the Company, he was senior vice president of investment banking for Burnham Hill Partners LLC, where he worked since 2008. From 2004 through 2008, Mr. Schneiderman was vice president of investment banking at Burnham Hill Partners, a division of Pali Capital, Inc. Previously, Mr. Schneiderman worked at H.C. Wainwright & Co. in 2004 as an analyst. Mr. Schneiderman holds a Bachelor's Degree from Tulane University.

Johan M. (Thijs) Spoor. Mr. Spoor was appointed to our board of directors on February 27, 2012, effective as of April 7, 2012 and was appointed chairman of the board on December 21, 2012. Mr. Spoor is currently the chief executive officer, president, chief financial officer and director of FluoroPharma Medical Inc., a public biopharmaceutical company. He has held these positions at FluoroPharma since May 2011. Mr. Spoor also sits on the board of directors of AtheroNova, Inc. (AHRO) and Protea Biosciences Group, Inc. (PRGB). Mr. Spoor holds a Nuclear Pharmacy degree from the University of Toronto as well as an M.B.A. from Columbia University with concentrations in finance and accounting. Mr. Spoor has been a guest lecturer at Columbia Business School, Kings College in London and the University of Newcastle in Australia. Mr. Spoor previously held the title of CFO for Sunstone BioSciences for the period from February 2010 through September 2010. Prior to joining Sunstone BioSciences, he worked as a consultant at Oliver Wyman from December 2008 through February 2010 focusing on helping pharmaceutical and medical device companies evaluate their global revenue potential given the complex interplay of regulatory approvals, the reimbursement environment, as well as the impact of physician preference within constantly evolving standards of care. He further specialized on the implications of healthcare reform on new product approval and health insurance reform. Mr. Spoor has also been an equity research analyst at J.P. Morgan from July 2007 through October 2008 and Credit Suisse from November 2005 through July 2007 covering the biotechnology and medical device industries. Prior to his career on Wall Street, Mr. Spoor worked in the pharmaceutical industry, spending 11 years with Amersham / GE Healthcare where he worked in seven countries in a variety of roles including setting up GMP facilities, accountability for the nuclear cardiology portfolio and most recently as the Director of New Product Opportunities leading the PET strategic plan. Mr. Spoor's background in nuclear pharmacy, finance and accounting and as a healthcare research analyst, as well as his experience at both large and small healthcare companies, provides him with a broad familiarity of the range of issues confronting a developing biotechnology company, which makes him a qualified member of our board of directors.

David N. Siegel. Mr. Siegel was appointed to our board of directors on February 27, 2012, effective as of April 7, 2012. Mr. Siegel was appointed President and CEO of Frontier Airlines in January 2012. Previously, he was a Managing Director of Hyannis Port Capital from June 2010 to December 2011. Mr. Siegel served as Chairman and CEO of XOJET, a TPG Capital funded private aviation company, from October 2008 until May 2010. Before joining XOJET, Mr. Siegel was Chairman and CEO of Gategroup, AG, an independent airline catering, hospitality and logistics company based in Zurich, from June 2004 to March 2009. Prior to Gategroup, Mr. Siegel served as president, chief executive officer of Gate Gourmet Group, Inc., an independent airline catering, hospitality and logistics company. Prior to Gate Gourmet Group, Mr. Siegel served as president, chief executive and a member of the board of US Airways Group, Inc., and US Airways, Inc., the airline operating unit. Prior to joining US Airways, Mr. Siegel was chairman and chief executive officer of Avis Rent A Car System, Inc., a subsidiary of Cendant Corp. Mr. Siegel's service as a member of senior management and the boards of directors of a number of U.S. corporations provides our board of directors with invaluable financial and management experience.

Patrick T. Mooney, M.D. Dr. Mooney was appointed to our board of directors on February 27, 2012, effective as of April 7, 2012. From September 2007 to September 2013, Dr. Mooney served as the chief executive officer and chairman of the board of directors of Echo Therapeutics, Inc. (Nasdaq: ECTE), a medical device company. Dr. Mooney previously served as president, chief executive officer and director of Echo Therapeutics, Inc. (a privately-held company prior to its merger with Sontra Medical Corporation) from September 2006 to September 2007. Prior to joining Echo Therapeutics, Inc., Dr. Mooney was president, chief executive officer and chairman of Aphton Corporation (Nasdaq: APHT), a biopharmaceutical company, from January 2004 to November 2006. Aphton Corporation declared bankruptcy under Chapter 11 of the United States Bankruptcy Code. Dr. Mooney served as Senior Biotechnology Analyst at Thomas Weisel Partners, LLC, a full service merchant banking firm, and as Senior Biotechnology Analyst at Janney Montgomery Scott, LLC, a full services investment banking firm. He graduated from the Jefferson Medical College of Thomas Jefferson University and trained as a surgical resident at Thomas Jefferson University Hospital. From June to September 2010, Dr. Mooney was a member of the board of directors of Quantrx Biomedical Corporation, a healthcare diagnostics company. Dr. Mooney's medical education and experience as practicing clinician, as well as his industry specific extensive management experience, provides him with a broad and deep understanding of the science underlying our business and our competitors' efforts, which is an invaluable resource to our board of directors.

David M. Epstein, Ph.D. Dr. Epstein was appointed to our board of directors effective as of April 16, 2013 and Chairman of our Scientific Advisory Board for Therapeutics as of February 4, 2014. Dr. Epstein is currently Director of the Centre for Technology & Development (CTeD), Associate Professor Cancer & Stem Cell Biology, Associate Dean or Research and at Duke-NUS Graduate Medical School in Singapore. Previously, from May 2006 to March 2013, Dr. Epstein served as Senior Vice President and Chief Scientific Officer for OSI Pharmaceuticals ("OSI"), now a wholly owned subsidiary of Astellas Pharma US, Inc., where he had strategic and operational oversight of OSI's oncology discovery research and translational medicine programs. From May 2001 to April 2006, Dr. Epstein served as vice president of Archemix Corp, an aptamer therapeutics-focused discovery and development company, where he was responsible for overseeing Archemix's aptamer research and pre-clinical development programs. Dr. Epstein's has over 20 years of global experience funding, managing and leading research organizations in early-stage, mid-size biotechnology, and multinational organizations. Dr. Epstein's experience provides him with a broad and deep understanding of the science underlying our business and our competitors' efforts, which is an invaluable resource to our board of directors.

Scientific Advisory Board - Therapeutics

Effective as of February 4, 2014, the board of directors formally established a Scientific Advisory Board for Therapeutics, whose primary responsibilities include advising the Company's management and the board on the long-term direction of the Company's scientific and research goals as it relates to drug discovery and therapeutics. The members of the Scientific Advisory Board for Therapeutics are David M. Epstein, Ph.D, Eric Winer, M.D., Adrian Krainer, Ph.D., Mariano-Garcia Blanco, M.D., Ph.D., Michael Hemann, M.D., Ph.D., and Frank Gertler, Ph.D. Dr. Epstein will serve as Chairman of the Scientific Advisory Board for Therapeutics.

David M. Epstein, Ph.D. Dr. Epstein was appointed to our board of directors effective as of April 16, 2013 and Chairman of our Scientific Advisory Board for Therapeutics as of February 4, 2014. . Please see above for a description of Dr. Epstein's background and experience.

Eric Winer, M.D. Dr. Winer is Professor, Department of Medicine, at Harvard Medical School. He is Chief of the Division of Women's Cancers, Director of the Breast Oncology Program, and the Thompson Chair in Breast Cancer Research at Dana-Farber Cancer Institute. Dr. Winer received his MD from Yale University. Under Dr. Winer's leadership, the program at Dana-Farber has played a critical role in the development of targeted therapies for HER2+ breast cancer. The group at Dana-Farber is also investigating a wide range of targeted therapies for all subtypes of breast cancer. Dr. Winer has authored over 200 publications relating to clinical cancer research

Adrian Krainer, Ph.D. Dr. Krainer is the St. Giles Foundation Professor of Molecular Genetics and the Program Chair of Cancer and Molecular Biology at the Cold Spring Harbor Laboratory. Dr. Krainer's expertise is in the fundamental mechanisms and regulation of human pre-mRNA splicing, and understanding the role of defective splicing in cancer. Dr. Krainer discovered SRSF1, the founding member of a conserved family of splicing factors, and his work has provided clear evidence of splicing factors driving cancer and the role of alternative splicing in cancer-cell metabolism. Dr. Krainer's laboratory has also developed novel antisense therapeutics to correct disease-causing splicing defects, and application of this method is currently being assessed in the clinic. Dr. Krainer is a leading expert in this area, with over 150 research articles published to date.

Mariano A. Garcia-Blanco, M.D., Ph.D. Dr. Garcia-Blanco is the Charles D. Watts Professor of Molecular Genetics and Microbiology, and Medicine, and Director of the Center for RNA Biology at Duke University. Dr. Garcia-Blanco's expertise is in RNA biology. His laboratory has pioneered the use of reporters to image alternative splicing of RNA in vivo. He has discovered the role of alternative splicing in epithelial-mesenchymal transition (EMT), a process essential for tumor progression and metastasis. A major focus of his laboratory is elucidating signaling pathways that mediate changes in alternative splicing as tumor cells undergo EMT.

Michael T. Hemann, Ph.D. Dr. Hemann is the Eisen and Chang Career Development Associate Professor of Biology at the Massachusetts Institute of Technology ("MIT"). Dr. Hemann brings expertise in modeling therapeutic resistance in order to identify new drug targets where inhibition can synergize with existing therapies. His laboratory uses RNAi to study the roles of cancer relevant genes in mediating sensitivity and resistance to chemotherapeutic agents. Dr. Hemann's interests are also focused on understanding the role of genetic instability on acquired and intrinsic drug resistance.

Frank B. Gertler, Ph.D. Dr. Gertler received his B.S. degree from the University of Wisconsin-Madison in 1985. During his post-graduate thesis work at the University of Wisconsin-Madison, Dr. Gertler discovered the Enabled (Ena) gene in a search for functional downstream targets of signaling by the Drosophila homolog of the c-Abl proto-oncogene. He proceeded to demonstrate that Abl and Ena function were key components of the machinery required to establish normal connections during development of the nervous system. After receiving his Ph.D. in Oncology and Genetics in 1992, Dr. Gertler trained as a Postdoctoral Fellow in the laboratory of Philippe Soriano at the Fred Hutchinson Center for Cancer Research from 1993 through 1997. During this time, he cloned Mena, the mammalian homolog of Drosophila Ena, and discovered a family of related molecules, the "Ena/VASP" proteins. In 1997, Dr. Gertler joined the Biology Department at Massachusetts Institute of Technology ("MIT"). His laboratory continued to work on Mena and the related Ena/VASP proteins and described pivotal roles for these proteins in controlling cell movement, shape and adhesion during fetal development. In 2005, Dr. Gertler moved to the MIT Center for Cancer Research and began to work on the role of Mena in metastatic progression and launched other efforts geared at understanding how the control of cell motility is dysregulated during metastatic diseases. Dr. Gertler reported the first comprehensive analysis of changes to the transcriptome, including alternative splicing during epithelial-mesenchymal transition (EMT). Currently, Dr. Gertler is a Full Professor in the Koch Institute for Integrative Cancer Research at MIT and a member of the MIT Biology Department.

Scientific Advisory Board - Diagnostics

Effective as of October 24, 2012, the board of directors formally established a Scientific Advisory Board whose primary responsibilities include advising our management and the board on the long-term direction of our scientific and research goals. The members of the Scientific Advisory Board are John Condeelis, Ph.D., Frank Gertler, Ph.D. and Thomas Rohan, M.D., Ph.D. Dr. Condeelis serves as Chairman of the Scientific Advisory Board.

John S. Condeelis, Ph.D. Dr. John Condeelis is The Judith and Burton P. Resnick Chair in Translational Research, Professor and Co-Chairman of the Department of Anatomy and Structural Biology at the Albert Einstein College of Medicine (AECOM). He is the director of the Cancer Center program "Tumor Microenvironment and Metastasis" and co-Director of the Gruss Lipper Biophotonics Center of AECOM. His current research interests are in tumor cell motility, chemotaxis, invasion and intravasation during metastasis. He has combined multiphoton imaging with expression analysis to derive gene expression signatures. This Human Breast Cancer Invasion Signature defines the pathways used by tumor cells in mammary tumors to move and invade blood vessels. The tumor cells are followed using multiphoton imaging for these studies using novel caged-enzymes and biosensors to test, in vivo, the predictions of the invasion signature regarding the mechanisms of tumor cell chemotaxis to EGF. Dr. Condeelis has authored more than 250 scientific papers on various aspects of cell and cancer biology, prognostic marker development and optical imaging.

Frank B. Gertler, Ph.D. Dr. Frank Gertler received his B.S. degree from the University of Wisconsin-Madison in 1985. During his post-graduate thesis work at the University of Wisconsin-Madison, Dr. Gertler discovered the Enabled (Ena) gene in a search for functional downstream targets of signaling by the Drosophila homolog of the c-Abl proto-oncogene. He proceeded to demonstrate that Abl and Ena function were key components of the machinery required to establish normal connections during development of the nervous system. After receiving his Ph.D. in Oncology and Genetics in 1992, Dr. Gertler trained as a Postdoctoral Fellow in the laboratory of Philippe Soriano at the Fred Hutchinson Center for Cancer Research from 1993 through 1997. During this time, he cloned Mena, the mammalian homolog of Drosophila Ena, and discovered a family of related molecules, the "Ena/VASP" proteins. In 1997, Dr. Gertler joined the Biology Department at the Massachusetts Institute of Technology (MIT). His laboratory continued to work on Mena and the related Ena/VASP proteins and described pivotal roles for these proteins in controlling cell movement, shape and adhesion during fetal development. In 2005, Dr. Gertler moved to the MIT Center for Cancer Research and began to work on the role of Mena in metastatic progression and launched other efforts geared at understanding how the control of cell motility is dysregulated during metastatic diseases. Currently, Dr. Gertler is a Full Professor in the Koch Institute for Integrative Cancer Research at MIT and a member of the MIT Biology Department.

Thomas E. Rohan, M.D., Ph.D. Dr. Thomas Rohan is Chairman of the Department of Epidemiology and Population Health at AECOM. He is also leader of the Cancer Epidemiology Program (CEP) and Associate Director for Population Sciences in the Albert Einstein Cancer Center. Dr. Rohan is an M.D. with a Ph.D. in Epidemiology and an M.Sc. in Medical Statistics. He has published more than 300 scientific articles and two books on various aspects of epidemiology. He has a particular interest in the molecular pathogenesis of breast cancer. Dr. Rohan is Associate Editor of the Journal Cancer Epidemiology, Biomarkers, and Prevention and several other journals, including a new journal, Cancer Medicine, which has a focus on personalized medicine. He has served on many grant review panels, served a 4-year term on the Epidemiology of Cancer Study Section at National Cancer Institute (NCI), and is currently a member of the Board of Scientific Counselors of NCI.

Clinical Advisory Board - Diagnostics

Effective as of October 24, 2012, the board of directors formally established a Clinical Advisory Board whose primary responsibilities include advising our management and the Board on the most efficient translation of our scientific and research discoveries to clinical practice. The members of the Clinical Advisory Board are Joan Jones, M.D. and Joseph Sparano, M.D.

Joan Jones, M.D. Dr. Joan Jones is Professor, Department of Pathology, Department of Anatomy & Structural Biology, Department of Epidemiology & Population Health at Albert Einstein College of Medicine (AECOM) and is an attending Pathologist at New York Presbyterian Hospital. Dr. Jones is a former Professor of Clinical Pathology and Laboratory Medicine at Weill Cornell Medical College. Dr. Jones is an anatomic pathologist with clinical experience in breast pathology and an interest in the contribution of cell migration and the microvasculature to metastatic progression. Dr. Jones' work with the metastasis group at AECOM began in 1991 when parallels were first being drawn between events in amoeboid chemotaxis and the behavior of metastatic tumor cells. Her role has been to provide the histologic and human disease context for observations both in culture systems and animal models. Dr. Jones was one of the originators, along with Dr. Condeelis, on the use of intra-vital imaging (IVI) of live mammary tumors to identify vascular landmarks around which tumor cells migrate and intravasate. Dr. Jones' application of these IVI observations to human breast cancer samples led to confirmation of the concept of Tumor MicroEnvironment of Metastasis (TMEM) in humans, a microanatomic landmark consisting of a tumor cell, an endothelial cell, and a macrophage, initially observed in vivo in animals. She developed both the methodology and the approach to quantitation of this landmark in human samples. Dr. Jones continues to work on the application of Mena-related biomarkers and TMEM to the prediction of metastatic risk in breast cancer.

Dr. Joseph Sparano, M.D. Dr. Joseph Sparano is Professor of Medicine & Women's Health at AECOM, Associate Director for Clinical Research at the Albert Einstein Cancer Center, and Associate Chairman of the Department of Oncology at Montefiore Medical Center. He is a medical oncologist and clinical researcher who has been involved in the development of numerous phase I, II, and III NCI sponsored, investigator-initiated, and industry sponsored trials, with expertise in breast cancer, lymphoma, HIV-associated cancer, developmental therapeutics, and development and validation of prognostic and predictive biomarkers. He serves as Chair of the Eastern Cooperative Oncology Group Breast Cancer Committee, Vice-Chair of the NCI Breast Cancer Correlative Science Committee, and member of the NCI Breast Cancer Steering Committee.

Family Relationships

There are no family relationships between any of our directors or executive officers.

Code of Ethics

We adopted a Code of Ethics that applies to all directors, officers and employees. Our Code of Ethics is available on our website at *www.metastat.com*. A copy of our code of ethics will also be provided to any person without charge, upon written request sent to us at our offices located at 8 Hillside Ave., Suite 207, Montclair, New Jersey 07042.

Corporate Governance

Board Leadership Structure

Our board of directors (the "Board") has a chairman, currently Mr. Spoor, who has authority, among other things, to call and preside over board meetings, to set meeting agendas and to determine materials to be distributed to the board of directors. Accordingly, the chairman has substantial ability to shape the work of the board of directors.

The positions of chief executive officer and chairman of our Board are held by different persons. The chairman of our Board, Mr. Spoor, chairs director and stockholder meetings and participates in preparing their agendas. Dr. Bronsther serves as a focal point for communication between management and the Board between board meetings, although there is no restriction on communication between directors and management. Dr. Bronsther serves as our chief executive officer as well as a member of our Board. We believe that these arrangements afford the other members of our Board sufficient resources to supervise management effectively, without being overly engaged in day-to-day operations

There is no lead independent director for our Board, but we believe that our current leadership structure is appropriate, as the majority of our Board is composed of independent directors and each committee of our Board is chaired by an independent director. The Board considers all of its members equally responsible and accountable for oversight and guidance of its activities.

Board Committees

Effective as of October 24, 2012, the Board established an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. Johan M. (Thijs) Spoor, Patrick T. Mooney, M.D. and David N. Siegel, each independent directors, serves on each committee. Mr. Spoor serves as the Chairman of the Audit Committee and the Nominating and Corporate Governance Committee and Dr. Mooney serves as Chairman of the Compensation Committee.

The Board determined that Mr. Spoor possesses accounting or related financial management experience that qualifies him as financially sophisticated within the meaning of Rule 5605(c)(2)(A) of the Marketplace Rules of The Nasdaq Stock Market LLC and that he is an "audit committee financial expert" as defined by the rules and regulations of the Securities and Exchange Commission.

Board Practices

Our business and affairs are managed under the direction of our Board. The primary responsibilities of our Board are to provide oversight, strategic guidance, counseling and direction to our management.

Policy Regarding Board Attendance

Our directors are expected to attend meetings of the Board as frequently as necessary to properly discharge their responsibilities and to spend the time needed to prepare for each such meeting. Our directors are expected to attend annual meetings of stockholders, but we do not have a formal policy requiring them to do so.

Shareholder Communications

We have a process for shareholders who wish to communicate with our board of directors. Shareholders who wish to communicate with the board may write to it at our address given above. These communications will be reviewed by one or more of our employees designated by the board, who will determine whether they should be presented to the board. The purpose of this screening is to allow the board to avoid having to consider irrelevant or inappropriate communications.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires our executive officers, directors and persons who beneficially own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. These executive officers, directors, and greater than 10% beneficial owners are required by SEC regulation to furnish us with copies of all Section 16(a) forms filed by such reporting persons.

Based solely on our review of such forms furnished to us and written representations from certain reporting persons, we believe that during the fiscal year ended February 28, 2014, all filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were filed in a timely manner.

Nominees to the Board of Directors

The Board will consider director candidates recommended by security holders. Potential nominees to the Board are required to have such experience in business or financial matters as would make such nominee an asset to the Board and may, under certain circumstances, be required to be "independent", as such term is defined under Rule 5605 of the listing standards of NASDAQ and applicable SEC regulations. Security holders wishing to submit the name of a person as a potential nominee to the Board must send the name, address, and a brief (no more than 500 words) biographical description of such potential nominee to the Board at the following address: Johan M. (Thijs) Spoor, Chairman of the Board of Directors, MetaStat, Inc., 8 Hillside Drive, Suite 207, Montclair, New Jersey 07042. Potential director nominees will be evaluated by personal interview, such interview to be conducted by one or more members of the Board, and/or any other method the Board deems appropriate, which may, but need not, include a questionnaire. The Board may solicit or receive information concerning potential nominees from any source it deems appropriate. The Board need not engage in an evaluation process unless (i) there is a vacancy on the Board, (ii) a director is not standing for re-election, or (iii) the Board does not intend to recommend the nomination of a sitting director for re-election. A potential director nominee recommended by a security holder will not be evaluated differently from any other potential nominee. Although it has not done so in the past, the Board may retain search firms to assist in identifying suitable director candidates.

The Board does not have a formal policy on Board candidate qualifications. The Board may consider those factors it deems appropriate in evaluating director nominees made either by the Board or stockholders, including judgment, skill, strength of character, experience with businesses and organizations comparable in size or scope to the Company, experience and skill relative to other Board members, and specialized knowledge or experience. Depending upon the current needs of the Board, certain factors may be weighed more or less heavily. In considering candidates for the Board, the directors evaluate the entirety of each candidate's credentials and do not have any specific minimum qualifications that must be met. "Diversity," as such, is not a criterion that the Board considers. The directors will consider candidates from any reasonable source, including current Board members, stockholders, professional search firms or other persons. The directors will not evaluate candidates differently based on who has made the recommendation.

Limitation of Liability and Indemnification of Officers and Directors

Our officers and directors are indemnified as provided by the Nevada Revised Statutes and our bylaws.

Under the Nevada Revised Statutes, director immunity from liability to a company or its shareholders for monetary liabilities applies automatically unless it is specifically limited by a company's articles of incorporation that is not the case with our articles of incorporation. Excepted from that immunity are:

(1) a willful failure to deal fairly with us or our shareholders in connection with a matter in which the director has a material conflict of interest;

(2) a violation of criminal law (unless the director had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful);

(3) a transaction from which the director derived an improper personal profit; and

(4) willful misconduct.

Our bylaws provide that we will indemnify our directors and officers to the fullest extent not prohibited by Nevada law. Our bylaws provide that we will advance all expenses incurred to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was our director or officer, or is or was serving at our request as a director or executive officer of another company, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request. This advance of expenses is to be made upon receipt of an undertaking by or on behalf of such person to repay said amounts should it be ultimately determined that the person was not entitled to be indemnified under our bylaws or otherwise.

Item 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation paid or accrued by us to our chief executive officer and chief financial officer. For each of our last two completed fiscal years, no other officer's compensation exceeded $100,000 in each year.

Summary Compensation Table

Name and Principal Position	Fiscal Year Ended February, 28	Salary ($)	Bonus ($)	Stock Awards	Option Awards (1) ($)	All Other Compensation ($)	Total ($)
Dr. Oscar L. Bronsther, CEO and Chief Medical Officer	2014	125,833	68,333	-	210,931	6,000	411,097
	2013	40,000	-	-	-	-	40,000
Warren C. Lau, CFO and President	2014	175,000	-	-	105,466	-	280,466
	2013	178,125	21,769	-	-	-	199,894
Daniel H. Schneiderman, Vice President, Finance	2014	122,583	14,451	-	105,466	-	242,500
	2013	75,770	7,500	-	-	-	83,050

(1) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. Assumptions made in the calculation of these amounts are described in Note 6 to the Company's audited financial statements, included in this Form 10-K.

Employment Agreements with Executive Officers

Employment Agreement with Dr. Oscar Bronsther

Effective as of May 27, 2013, we entered into an employment agreement with Oscar L. Bronsther, M.D., F.A.C.S., to serve as our chief executive officer and chief medical officer. The employment agreement with Dr. Bronsther provides for a base salary of $175,000 and an annual milestone bonus upon the attainment of certain financial, clinical development and/or business milestones to be established annually by our board of directors or compensation committee. The employment agreement is terminable by either party at any time. In the event of termination by us without cause or by Dr. Bronsther for good reason not in connection with a change of control, as those terms are defined in the agreement, he is entitled to six months' severance. In the event of termination by us without cause or by Dr. Bronsther for good reason in connection with a change of control, as those terms are defined in the agreement, he is entitled to twelve months' severance.

Employment Agreement with Warren Lau

Effective as of May 27, 2013, we entered into an employment agreement with Warren C. Lau to serve as our president and chief financial officer. The employment agreement with Mr. Lau provides for a base salary of $175,000 and an annual milestone bonus upon the attainment of certain financial, clinical development and/or business milestones to be established annually by our board of directors or compensation committee. The term of the agreement is for an initial period of one year, provided the parties may mutually agree to renew the agreement for an additional one year period by providing written notice to the other party no later than thirty (30) days prior to the expiration of the initial one year term. The employment agreement is terminable by either party at any time. In the event the agreement is not renewed beyond the initial one year term or is terminated by us without cause or by Mr. Lau for good reason not in connection with a change of control, as those terms are defined in the agreement, he is entitled to six months' severance. In the event of termination by us without cause or by Mr. Lau for good reason in connection with a change of control, as those terms are defined in the agreement, he is entitled to twelve months' severance. On May 28, 2014, we reached an agreement to extend Mr. Lau's employment agreement, which currently expired on May 28, 2014, through July 15, 2014. We do not expect any further extensions of Mr. Lau's employment agreement beyond July 15, 2014. Mr. Lau's salary for such extension period will be paid by us through a proportionate reduction of the severance payments due to Mr. Lau pursuant to the terms of his employment agreement. The Company is currently conducting a search for Mr. Lau's replacement.

Employment Agreement with Daniel H. Schneiderman

Effective as of May 27, 2013, we entered into an employment agreement with Daniel H. Schneiderman, to serve as our vice president of finance. The employment agreement with Mr. Schneiderman provides for a base salary of $125,000 and an annual milestone bonus upon the attainment of certain financial, clinical development and/or business milestones to be established annually by our board of directors or compensation committee. The employment agreement is terminable by either party at any time. In the event of termination by us without cause or by Mr. Schneiderman for good reason not in connection with a change of control, as those terms are defined in the agreement, he is entitled to six months' severance. In the event of termination by us without cause or by Mr. Schneiderman for good reason in connection with a change of control, as those terms are defined in the agreement, he is entitled to twelve months' severance.

Director Compensation

Currently, our directors serve without compensation.

Employee Benefits Plans

Pension Benefits

We do not sponsor any qualified or non-qualified pension benefit plans.

Nonqualified Deferred Compensation

We do not maintain any non-qualified defined contribution or deferred compensation plans.

Severance Arrangements

The employment agreements with each of Dr. Oscar Bronsther, Warren C. Lau and Daniel H. Schneiderman provide that in the event of termination by us without cause or by the executives for good reason not in connection with a change of control, as those terms are defined in the agreement, such executives are entitled to six months' severance. In the event of termination by us without cause or by the executives for good reason in connection with a change of control, as those terms are defined in the agreement, such executives are entitled to twelve months' severance.

Outstanding Equity Awards At February 28, 2014

The following table summarizes the number of securities underlying outstanding plan awards for each named executive officer as of February 28, 2014.

	Option Awards					Stock Awards			
	Equity Incentive Plan Awards:					Equity Incentive Plan Awards:			
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date	Number of shares of stock that have not vested (#)	Market value of shares of stock that have not vested ($) (1)	Number of unearned shares that have not vested (#)	Market or payout value of unearned shares that have not vested ($) (1)
Dr. Oscar L. Bronsther	165,000	-	-	$ 0.68	1/6/2022				
	100,000	-	-	$ 3.25	4/5/2023	-	-	-	-
Warren C. Lau	275,000	-	-	$ 0.68	1/6/2022				
	50,000			$ 3.25	4/5/2023	-	-	-	-
Daniel H. Schneiderman	55,000	-	-	$ 0.68	1/6/2022				
	50,000	-	-	$ 3.25	4/5/2023	-	-	-	-

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding beneficial ownership of our common stock as of June 11, 2014 by (i) each person (or group of affiliated persons) who is known by us to own more than five percent of the outstanding shares of our common stock, (ii) each director and executive officer, and (iii) all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Unless otherwise noted, the address of each stockholder listed below is 8 Hillside Drive, Suite 207, Montclair, New Jersey 07042.

We had 21,623,899 shares of common stock outstanding as of June 11, 2014.

Names and Addresses of Beneficial Owners	Amount and Nature of Beneficial Ownership (1)	Percent of Class (2)
Oscar Bronsther, M.D., F.A.C.S, Chief Executive Officer, Chief Medical Officer and Director (3)	749,003	3.46%
Warren C. Lau, President, Chief Financial Officer and Director (4)	1,205,000	5.49%
Daniel H. Schneiderman, Vice President of Finance, Comptroller and Secretary (5)	484,500	2.23%
David M. Epstein, Ph.D., Head of Drug Development and Director (6)	100,000	*
Johan M. (Thijs) Spoor, Chairman of the Board of Directors (7)	222,003	1.03%
David N. Siegel, Director (8)	935,570	4.30%
Patrick T. Mooney, M.D., Director (9)	100,000	*
Albert Einstein College of Medicine of Yeshiva University, a Division of Yeshiva University (10)	1,150,242	5.32%
MKM Opportunity Master Fund, Ltd. (11)	2,224,314	9.97%
Matthew Balk (12)	1,981,000	8.99%
Jason Adelman (13)	1,408,003	6.49%
All Directors and Officers as a Group (7 Persons)	3,796,076	17.07%

* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities anticipated to be exercisable or convertible at or within 60 days of the date hereof, are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person. The indication herein that shares are anticipated to be beneficially owned is not an admission on the part of the listed stockholder that he, she or it is or will be a direct or indirect beneficial owner of those shares.

(2) Based on 21,623,899 shares of common stock outstanding on June 11, 2014.

(3) Consists of (i) 265,000 shares of common stock underlying options, (ii) 476,668 shares of common stock held by Marsha Bronsther, Dr. Bronsther's wife and (iii) 7,335 shares of common stock underlying warrants held by Marsha Bronsther.

(4) Consists of (i) 880,000 shares of common stock, and (ii) 325,000 shares of common stock underlying options.

(5) Consists of (i) 357,500 shares of common stock, (ii) 22,000 shares of common stock underlying warrants, and (iii) 105,000 shares of common stock underlying options.

(6) Consists of (i) 100,000 shares of common stock.

(7) Consists of (i) 14,668 shares of common stock, (ii) 7,335 shares of common stock underlying warrants and (iii) 50,000 restricted shares of common stock issued pursuant to the 2012 Plan that vest and become transferable upon the listing of the common stock on a national securities exchange on or before May 21, 2022, and (iv) 150,000 restricted shares of common stock issued pursuant to the 2012 Plan that vest and become transferable upon the earlier of a change in control or upon us achieving $5,000,000 in gross sales from one or more of our products on or before April 5, 2023.

(8) Consists of (i) 727,500 shares of common stock, (ii) 60,935 shares of common stock held by the David N. Siegel Revocable Trust dated April 7, 2010, (iii) 105,000 shares of common stock underlying options and (iv) 42,135 shares of common stock underlying warrants held by the David N. Siegel Revocable Trust dated April 7, 2010.

(9) Consists of (i) 50,000 shares of common stock underlying options and (ii) 50,000 restricted shares of common stock issued pursuant to the 2012 Plan that vest and become transferable upon the listing of the common stock on a national securities exchange on or before May 21, 2022.

(10) Consists of 1,150,242 shares of common stock. J. Michael Gower, Vice President for Business Affairs and Chief Financial Officer of Yeshiva University, is the natural person who exercises voting and investment control over our securities owned by Albert Einstein College of Medicine of Yeshiva University, a Division of Yeshiva University. The address of the stockholder is c/o Office of Biotechnology, Albert Einstein College of Medicine of Yeshiva University, 1300 Morris Park Avenue, Bronx, NY 10461, Attn: Director.

(11) Based on the Schedule 13G filed by MKM Opportunity Master Fund, Ltd. on May 4, 2012, consists of (i) 1,533,998 shares of common stock; and (ii) 690,316 shares underlying warrants owned by MKM Opportunity Master Fund, Ltd ("MKM Opportunity"). Does not include (i) 173,250 shares of common stock held by David and Margaret Skriloff Irrev. Des. Trust FBO Olivia Skriloff; and (ii) 173,250 shares of common stock held by David and Margaret Skriloff Irrev. Des. Trust FBO Samuel Skriloff. David Skrillof does not exercise voting and investment control over securities held by David and Margaret Skriloff Irrev. Des. Trust FBO Olivia Skriloff and David and Margaret Skriloff Irrev. Des. Trust FBO Samuel Skriloff.

MKM Capital Advisors, LLC ("MKM Capital") serves as investment manager to MKM Opportunity, and, as such, may be deemed to hold an indirect beneficial interest in the shares of Common Stock that are directly beneficially owned by MKM Opportunity. David Skriloff is the managing member of MKM Capital and the portfolio manager of MKM Opportunity, and, as such, may be deemed to hold an indirect beneficial interest in the shares of Common Stock that are directly beneficially owned by MKM Opportunity.

(12) Consists of (i) 265,000 shares of common stock underlying options, (ii) 1,573,000 shares of common stock, and (iii) 143,000 shares of common stock underlying warrants.

(13) Based on the Schedule 13G filed by Jason T. Adelman on April 20, 2012, consists of (i) 762,688 shares of common stock held as Joint Tenants with his spouse Cass G Adelman, (ii) 73,335 shares of common stock underlying warrants held as Joint Tenants with his spouse Cass G Adelman, (iii) 297,000 shares of common stock held by Cass G. Adelman Cust. Jasper G. Adelman UTMA NY and (iv) 275,000 shares of common stock held by Cass G. Adelman Cust. Philippa G. Adelman UTMA NY.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Transactions

During January and February 2012, we borrowed approximately $336,075 from Waterford Capital Acquisition Co. IX, LLC, and accounted for these as advances prior to the Share Exchange. Immediately prior to the Share Exchange, this debt was converted into 309,595 shares of our common stock.

During the year ended February 28, 2013, we paid Matthew Balk an aggregate of $72,000 of consulting fees for financial advisory services.

During the year ended February 28, 2014, we paid Matthew Balk an aggregate of $110,000 of consulting fees for financial advisory services.

Additionally, pursuant to the 2012 Plan we issued Matthew Balk (i) 165,000 stock options with an exercise price equal to $0.68 on February 27, 2012 and (ii) 100,000 options with an exercise price of $3.25 on April 5, 2013.

Director Independence

Four of our directors, Johan M. (Thijs) Spoor, David N. Siegel, Dr. Patrick T. Mooney, and David M. Epstein Ph.D. have been determined to be independent as defined by NASDAQ Listing Rule 5605(a)(2) of The NASDAQ Stock Market, LLC and Section 10A(m)(3) of the Exchange Act. No transactions, relationships or arrangements were considered by the board of directors in determining that these directors were independent. All of the members of our audit committee, compensation committee and nominating and corporate governance committee are independent.

Under NASDAQ Listing Rule 5605(a)(2), an "independent director" is a "person other than an officer or employee of the company or any other individual having a relationship which, in the opinion of the company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director."

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Effective as of March 7, 2014, we formally engaged EisnerAmper LLP as our principal independent registered public accounting firm to examine our consolidated financial statements for the fiscal year ended February 28, 2014, replacing MaloneBailey LLP.

Public Accounting Fees

MaloneBailey LLP

The following chart sets forth public accounting fees in connection with services rendered by MaloneBailey LLP during the year ended February 28, 2014 and February 28, 2013, respectively.

MaloneBailey LLP	Fiscal Year Ended February 28, 2013	Fiscal Year Ended February 28, 2014
Audit Fees	$ 62,920	$ 40,700
Audit-Related Fees	$ -	$ -
Tax Fees	$ -	$ -
All Other Fees	$ -	$ -

Audit fees were for professional services rendered by MaloneBailey LLP for the audit of our annual financial statements and the review of the financial statements included in our quarterly reports on Forms 10-Q, and services that are normally provided by MaloneBailey LLP in connection with statutory and regulatory filings or engagements for that fiscal year.

Pre-Approval of Services

Our audit committee pre-approved all of the foregoing services.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Description
2.1	Share Exchange Agreement dated February 27, 2012. (1)
3.1	Articles of Incorporation of MetaStat, Inc., as amended. (2)
3.2	By-laws. (2)
4.1	Form of Investor Warrant dated February 27, 2012. (2)
4.2	Form of Warrant issued to certain affiliates dated February 27, 2012. (2)
4.3	Form of Investor Warrant dated May 1, 2012. (3)
4.4*	Form of May 2014 Convertible Promissory Note.
4.5*	Form of Warrant issued to Holders of May 2014 Convertible Promissory Notes.
10.1	Form of Securities Purchase Agreement dated February 27, 2012. (1)
10.2	Form of Registration Rights Agreement dated February 27, 2012. (2)
10.3	License Agreement with Einstein, MIT, Cornell and IFO-Regina dated August 26, 2010. (1)
10.4	Amended and Restated 2012 Omnibus Securities and Incentive Plan. (4)
10.5	Form of Consultant Non-Qualified Stock Option Agreement. (2)
10.6	Form of Employee Non-Qualified Stock Option Agreement. (2)
10.7	Form of Securities Purchase Agreement dated May 1, 2012. (3)
10.8	Form of Registration Rights Agreement dated May 1, 2012. (3)
10.9	Sponsored Research Agreement with Albert Einstein College of Medicine of Yeshiva University and Cornell University, dated April 2011. (1)
10.10	"Second" License Agreement with Albert Einstein College of Medicine of Yeshiva University effective March 2012. (1)
10.11	"Third" License Agreement with Albert Einstein College of Medicine of Yeshiva University effective March 2012. (1)
10.12	Employment Agreement of Oscar Bronsther dated May 24, 2013.
10.13	Employment Agreement of Warren Lau dated May 24, 2013.
10.14	Employment Agreement of Daniel Schneiderman dated May 24, 2013.
10.15*	Form of May 2014 Convertible Note and Warrant Purchase Agreement.
10.16 †	Diagnostic License Agreement with the Massachusetts Institute of Technology and its David H. Koch Institute for Integrative Cancer Research at MIT and its Department of Biology, Albert Einstein College of Medicine of Yeshiva University, and Montefiore Medical Center as of December 7, 2013. (7)
10.17 †	Therapeutic License Agreement with the Massachusetts Institute of Technology and its David H. Koch Institute for Integrative Cancer Research at MIT and its Department of Biology, Albert Einstein College of Medicine of Yeshiva University, and Montefiore Medical Center as of December 7, 2013. (7)
14.1	Code of Ethics.
21.1	Subsidiaries of the Registrant. (5)
31.1*	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase.
101.LAB**	XBRL Taxonomy Extension Label Linkbase.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase.

* Filed herewith

** Pursuant to Rule 406T of Regulation S-T, the XBRL (Extensible Business Reporting Language) information included in Exhibit 101 hereto is deemed furnished and not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

† Confidential treatment requested.

(1) Incorporated by reference to our Current Report on Form 8-K filed with the Commission on May 25, 2012.
(2) Incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 21, 2012.
(3) Incorporated by reference to our Current Report on Form 8-K filed with the Commission on May 7, 2012.
(4) Incorporated by reference to our Current Report on Form 8-K filed with the Commission on May 22, 2012.
(5) Incorporated by reference to our Annual Report on Form 10-K filed with the Commission on May 28, 2013.
(6) Incorporated by reference to our Annual Report on Form 10-K filed with the Commission on June 13, 2012.
(7) Incorporated by reference to our Current Report on Form 8-K, as amended, filed with the Commission on December 12, 2013.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

METASTAT, INC.

June 13, 2014

By: /s/ Oscar L. Bronsther .
Oscar L. Bronsther M.D., F.A.C.S., Chief Executive Officer and Chief Medical Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Capacity	Date
/s/ Oscar L. Bronsther Oscar L. Bronsther M.D., F.A.C.S.	Chief Executive Officer, Chief Medical Officer and Director (Principal Executive Officer)	June 13, 2014
/s/ Warren C. Lau Warren C. Lau	President, Chief Financial Officer and Director (Principal Accounting Officer)	June 13, 2014
/s/ Johan M. "Thijs" Spoor Johan M. "Thijs" Spoor	Chairman of the Board of Directors	June 13, 2014
/s/ David N. Siegel David N. Siegel	Director	June 13, 2014
/s/ Patrick T. Mooney Patrick T. Mooney	Director	June 13, 2014
/s/ David M. Epstein David M. Epstein, Ph.D.	Director	June 13, 2014

METASTAT, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2014 AND FEBRUARY 28, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
MetaStat, Inc.

We have audited the accompanying consolidated balance sheet of MetaStat, Inc. and subsidiaries (a development stage company) (the "Company") as of February 28, 2014, and the related consolidated statements of operations, changes in stockholders' (deficit) equity and cash flows for the year then ended and for the period from July 22, 2009 (inception) through February 28, 2014. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Company's financial statements for the period from July 22, 2009 through February 28, 2013 were audited by other auditors whose report, dated May 28, 2013, expressed an unqualified opinion on those statements. The financial statements for the period from July 22, 2009 to February 28, 2013 reflect a net loss of $5,362,479 that is included on the related total for the period from July 22, 2009 to February 28, 2014. The other auditor's report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such prior period, is based solely on the report of such auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MetaStat, Inc. and subsidiaries as of February 28, 2014, and the consolidated results of their operations and their cash flows for the year then ended and the period from July 22, 2009 (inception) through February 28, 2014, in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note [1] to the consolidated financial statements, for the period from July 22, 2009 (inception) to February 28, 2014, the Company has accumulated a deficit of $10,727,675, including a net loss of $5,365,196 for the year ended February 28, 2014, has not generated revenues or positive cash flows from operations and, as of February 28, 2014, has a negative working capital of $2,295,379. The aforementioned conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ EisnerAmper LLP

New York, New York
June 12, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Metastat, Inc.
(a development stage company)
Montclair, New Jersey

We have audited the accompanying balance sheets of MetaStat, Inc. (a development stage company) (the "Company") as of February 28, 2013, and the related statements of expenses, stockholders' equity and cash flows for each of the years then ended and the period from July 22, 2009 (inception) through February 28, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2013 and the results of its operations and its cash flows for each of the years then ended and the period from July 22, 2009 (inception) through February 28, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas

May 28, 2013

METASTAT INC.
(A Development Stage Company)
Consolidated Balance Sheets

	February 28, 2014	February 28, 2013
ASSETS		
CURRENT ASSETS		
Cash	$ 483,408	$ 969,188
Other receivable	20,000	-
Prepaid insurance	12,073	-
Deferred financing costs	60,523	-
Total Current Assets	576,004	969,188
Equipment (net of accumulated depreciation of $34,192 and $12,396, respectively)	204,254	53,326
Refundable deposits	10,367	-
TOTAL ASSETS	$ 790,625	$ 1,022,514
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
LIABILITIES		
Accounts payable	$ 257,965	$ 168,005
Convertible notes (net of discount of $206,636 and $71,543, respectively)	2,475,717	716,957
Accrued interest payable	137,701	1,940
TOTAL LIABILITIES	2,871,383	886,902
STOCKHOLDERS' (DEFICIT) EQUITY		
Preferred stock (50,000,000 shares authorized; none shares issued and outstanding respectively)	-	-
Common stock (Common Stock, $0.0001 par value; 150,000,000 shares authorized; 21,573,899 and 21,054,418 shares issued and outstanding respectively)	2,157	2,106
Paid-in-capital	8,644,760	5,495,985
Deficit accumulated during development stage	(10,727,675)	(5,362,479)
Total (Deficit) Equity	(2,080,758)	135,612
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$ 790,625	$ 1,022,514

The accompanying notes are an integral part of the consolidated financial statements

METASTAT INC.
(A Development Stage Company)
Consolidated Statement of Operations

	Year ended February 28, 2014	Year ended February 28, 2013	Period from July 22, 2009 (inception)
REVENUE			
Revenue	$ -	$ -	$ -
Total Revenue	-	-	-
OPERATING EXPENSES			
General & administrative	3,526,863	2,000,937	7,345,295
Research & development	824,336	516,798	2,365,539
Total Operating Expenses	4,351,199	2,517,735	9,710,834
OTHER EXPENSES (INCOME)			
Interest income	(82)	(596)	(678)
Accretion expense	829,969	1,500	831,469
Deferred financing costs amortization	14,159	-	14,159
Interest expense	137,098	1,940	139,038
Loss on extinguishment of debt	32,853	-	32,853
Total Other Expenses (Income)	1,013,997	2,844	1,016,841
NET LOSS	$ (5,365,196)	$ (2,520,579)	$ (10,727,675)
Net loss per share, basic and diluted	$ (0.25)	$ (0.12)	
Weighted average of shares outstanding	21,169,091	20,882,199	

The accompanying notes are an integral part of the consolidated financial statements

METASTAT INC.
(A Development Stage Company)
Consolidated Statement of changes in Stockholders' (Deficit) Equity
From July 22, 2009 (inception) to February 28, 2014

	Common Stock				
	Shares	Amount	Paid-In Capital	Accumulated Deficit	Total (Deficit) Equity
Balance at inception July 22, 2009	-	$ -	$ -	$ -	$ -
Issue common stock to founders for cash at $.0001 per share	1,100,000	110	(100)	-	10
Sale of common stock for cash at $.0018 per share	660,000	66	1,134	-	1,200
Sale of common stock for cash at $.023 per share	3,410,000	341	77,159	-	77,500
Net loss for the period ended February 28, 2010	-	-		(52,071)	(52,071)
Balance at February 28, 2010	5,170,000	517	78,193	(52,071)	26,639
Issue common stock for services at $0.023 per share	3,290,570	329	74,457		74,786
Sale common stock for cash at $.023 per share	6,055,500	* 606	137,169		137,775
Sale of common stock for cash at $.45 per share	515,900	52	232,073		232,125
Sale of common stock for cash at $.68 per share	212,668	21	144,979		145,000
Net loss for the year ended February 28, 2011				(363,175)	(363,175)
Balance at February 28, 2011	15,244,638	$ 1,525	$ 666,871	$ (415,246)	$ 253,150
Sale of common stock for cash at $.023 per share	80,069	8	1,563		1,571
Sale of common stock for cash at $.45 per share	103,004	10	47,060		47,070
Sale of common stock for cash at $.68 per share	2,781,539	278	1,896,226		1,896,504
Subscription receivable	865,000	87	864,913		865,000
Warrents expense	0	0	149,999		149,999
Stock option expense	0	0	611,250		611,250
Issued common stock for services at $0.45 per share	160,158	16	72,783		72,799
Recapitalization of PVSO shareholders	840,000	84	-84		-
Rounding	10				-
Net loss for the year ended February 29, 2012				(2,426,654)	(2,426,654)
Balance at February 29, 2012	20,074,418	$ 2,008	$ 4,310,581	$ (2,841,900)	$ 1,470,689
Sale of common stock for cash at $1.00 per share	880,000	193	879,807		880,000
Shares issued for service	100,000	(95)	11,170	-	11,075
Change in estimate for shares issued	-	-	(5,806)		(5,806)
Warrants issued	-	-	149,995		149,995
Debt discount			71,544		71,544
Warrants issued			78,694		78,694

Net loss for the year ended February 28, 2013	-	-	-	(2,520,579)	(2,520,579)
Balance at February 28, 2013	21,054,418	2,106	5,495,985	(5,362,479)	135,612
Common stock issued for services	430,013	42	299,158		299,200
Stock Option expense			1,647,572		1,647,572
Warrants issued for services			42,993		42,993
Warrants issued in debt modification			126,381		126,381
Warrants issued with convertible notes			357,145		357,145
Beneficial conversion feature in convertible notes			532,210		532,210
Common stock issued in debt modification	92,468	9	143,316		143,325
Net loss for the year ended February 28, 2014	-	-	-	(5,365,196)	(5,365,196)
	21,576,899	$ 2,157	$ 8,644,760	$ (10,727,675)	$ (2,080,758)

The accompanying notes are an integral part of the consolidated financial statements

METASTAT INC.
(A Development Stage Company)
Consolidated Statement of Cash Flows

	Year ended February 28, 2014	Year ended February 28, 2013	Period from July 22, 2009 (inception) to February 28, 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (5,365,196)	$ (2,520,579)	$ (10,727,675)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	21,796	11,125	34,192
Amortization of deferred financing costs	14,159	-	14,159
Warrants issued for services	42,993	228,689	421,681
Stock option expense	1,647,572		2,258,822
Common stock issued for services	299,200	5,270	452,055
Accretion expense	829,969	1,500	831,469
Loss on estinguishment of debt	32,853		32,853
Changes in assets and liabilities			
Other receivable	(20,000)		(20,000)
Prepaid insurance	81,766		81,766
Refundable deposit	(10,367)		(10,367)
Accounts payable	89,960	(123,854)	257,965
Interest payable	135,761	1,940	137,701
NET CASH USED IN OPERATING ACTIVITIES	(2,199,534)	(2,395,909)	(6,235,379)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	(172,724)	(45,243)	(238,446)
NET CASH USED IN INVESTING ACTIVITIES	(172,724)	(45,243)	(238,446)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of stock	-	880,000	3,418,755
Proceeds from subscription receivables	-	865,000	865,000
Payments on short-term debt	(93,840)		(93,840)
Borrowing on convertible notes	2,055,000	787,000	2,842,000
Payment of financing costs	(74,682)		(74,682)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,886,478	2,532,000	6,957,233
NET INCREASE (DECREASE) IN CASH	(485,780)	90,848	483,408
Cash at the beginning of the year	969,188	878,340	-
Cash at the end of the year	$ 483,408	$ 969,188	$ 483,408
SUPPLEMENTAL DISCLOSURES:			
Interest Paid	$ 3,278	$ -	$ 3,278
Income taxes paid	$ -	$ -	$ -
NON-CASH TRANSACTIONS			
Financing of insurance premiums	$ 93,840	$ -	$ 93,840
Recapitalization of PVSP shareholders	$ -	$ -	$ 8
Warrants issued with convertible notes	$ 357,145	$ 71,543	$ 428,688
Beneficial conversion feature in convertible notes	$ 532,210	$ 0	$ 532,210

The accompanying notes are an integral part of the consolidated financial statements

METASTAT INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
February 28, 2014 and 2013

NOTE 1 – DESCRIPTION OF BUSINESS AND GOING CONCERN

MetaStat, Inc. ("we," "us," "our," the "Company," or "MetaStat") formerly known as Photovoltaic Solar Cells Inc. ("PVSO") was incorporated on March 28, 2007 under the laws of the State of Nevada. From inception until November of 2008, PVSO's business plan was to produce and market inexpensive solar cells and in November 2008, our board of directors determined that the implementation of our business plan was no longer financially feasible. At such time, we discontinued the implementation of our prior business plan and pursued an acquisition strategy, whereby we sought to acquire a business. Based on these business activities, until February 27, 2012, we were considered a "blank check" company, with no or nominal assets (other than cash) and no or nominal operations.

MetaStat BioMedical, Inc. ("MBM") formerly known as MetaStat, Inc., our Delaware operating subsidiary, was incorporated in the state of Texas on July 22, 2009, re-incorporated in the State of Delaware on August 26, 2010, and since inception has been a Development Stage Enterprise as defined by the ASC 915-15. During this time MBM has devoted substantially all of its efforts to activities such as acquiring biomedical technology licenses, funding research and development, engaging in organizational activities, and raising capital. MBM was formed to allow cancer patients to benefit from the latest discoveries in how cancer spreads to other organs in the body.

On February 27, 2012, we consummated a share exchange transaction as more fully described below, whereby we acquired all the outstanding shares of MBM and, MBM became our wholly owned subsidiary. From and after the share exchange, our business has been conducted through our wholly owned subsidiary, MBM, and the discussion of our business is that of our current business which is conducted through MBM.

Prior to April 9, 2012, our company name was Photovoltaic Solar Cells, Inc. For the sole purpose of changing our name, on April 9, 2012, we merged with a newly-formed, wholly owned subsidiary incorporated under the laws of Nevada called MetaStat, Inc. As a result of the merger, our corporate name was changed to MetaStat, Inc. In May 2012, we changed the name of our Delaware operating subsidiary to MetaStat BioMedical, Inc. from MetaStat, Inc.

We are a development stage life sciences company focused on developing and commercializing novel diagnostic technologies and therapeutics for the early and reliable prediction and treatment of systemic metastasis - cancer that spreads from a primary tumor through the bloodstream to other areas of the body. Systemic metastasis is responsible for greater than 90% of all solid tumor cancer related deaths and as such, we believe more accurate risk stratification and effective treatment of metastatic disease and/or the prevention of systemic metastasis is needed to improve patient outcomes.

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Share Exchange Agreement

On February 27, 2012 (the "Closing Date"), we entered into a Share Exchange Agreement (the "Exchange Agreement") by and among us, MBM, the holders of all outstanding shares of MBM (the "MBM Shareholders") and Waterford Capital Acquisition Co IX, LLC, our principal shareholder (the "Company Principal Shareholder"), whereby we acquired all of the outstanding shares of MBM (the "MBM Shares") from the MBM Shareholders. In exchange, we issued to the MBM Shareholders an aggregate of 18,369,421 shares of our common stock (the "Exchange Shares"), equal to 95.6% of our outstanding shares of common stock after such issuance. As a result of the transactions contemplated by the Exchange Agreement (collectively, the "Share Exchange"), MBM became our wholly owned subsidiary. Pursuant to the Exchange Agreement, we assumed warrants to purchase up to 780,511 shares of MBM's common stock, with exercise prices ranging between $1.50 and $2.00 per share on a 2.2-for-1 basis, equivalent to 1,717,122 shares of our common stock with exercise prices ranging from $0.68 to $0.91 per share. Immediately prior to the Share Exchange, we converted approximately $336,075 of debt owed to the Company Principal Shareholder into 309,595 shares of our common stock (the "Debt Conversion") and issued an aggregate of 36,000 shares of our common stock to certain of our officers, directors and consultants in consideration for services rendered to us, leaving 840,000 shares of our common stock outstanding immediately prior to the issuance of the Exchange Shares and showing on our Statement of Stockholders' Equity as 840,000 shares as 'recapitalization of PVSO shareholders'. Additionally, immediately prior to the Share Exchange, we issued five-year warrants to purchase up to an aggregate of 350,000 shares of our common stock at an exercise price of $1.40 per share, of which warrants to purchase 337,500 shares were issued for a purchase price of $21,000 and warrants to purchase 12,500 shares were issued for services rendered to us prior to the Share Exchange (the "Warrant Financing"). We used the proceeds of the Warrant Financing to pay off all of our liabilities prior to the Share Exchange.

On the Closing Date, we assumed MBM's 2012 Omnibus Securities and Incentive Plan (the "2012 Plan") and reserved 1,116,789 shares of our common stock for the benefit of our employees, nonemployee directors and consultants. All 507,500 options outstanding under the 2012 Plan were converted, on a 2.2-for-1 basis, into the right to receive options to purchase up to 1,116,500 shares of our common stock with an exercise price of $0.68 per share. On May 21, 2012, we increased the number of authorized and unissued shares of common stock reserved for issuance pursuant to the 2012 Plan to 3,316,789.

Going Concern

These accompanying financial statements have been prepared assuming that the Company will continue as going concern. For the period from July 22, 2009 (inception) to February 28, 2014, the Company has accumulated a deficit of $10,727,675, including a net loss of $5,365,196 for the year ended February 28, 2014, and has not generated revenues or positive cash flows from operations. The continuation of the Company as a going concern is dependent upon continued financial support from its shareholders, the ability of the Company to obtain necessary equity and/or debt financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The Company cannot make any assurances that additional financings will be available to it and, if available, completed on a timely basis, on acceptable terms or at all. If the Company is unable to complete a debt or equity offering, or otherwise obtain sufficient financing when and if needed, it would negatively impact its business and operations and could also lead to the reduction or suspension of the Company's operations and ultimately force the Company to cease operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of MetaStat, Inc. and its wholly-owned subsidiary, MetasStat BioMedical, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash and cash equivalents.

Equipment

Equipment is stated at cost. The cost of equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Expenditures for major renewals or betterments that extend the useful lives of equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Long-lived Assets

Long-lived assets are evaluated for impairment whenever events or conditions indicate that the carrying value of an asset may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. There were no events or conditions that indicated that impairment of long-lived assets may have occurred as of February 28, 2014 and 2013.

Deferred Financing Costs

Debt issuance costs are recorded as deferred financing costs and amortized over the maturity period of the related debt instrument using the effective interest method.

Debt Instruments

We analyze debt issuance for various features that would generally require either bifurcation and derivative accounting, or recognition of a debt discount or premium under authoritative guidance.

Detachable warrants issued in conjunction with debt are measured at their relative fair value, if they are determined to be equity instrument, or their fair value, if they are determined to be liability instruments, and recorded as a debt discount. Conversion features that are in the money at the commitment date constitute a beneficial conversion feature that is measured at its intrinsic value and are recognized as debt discount. Debt discount is amortized as accretion expense over the maturity period of the debt using the effective interest method. Contingent beneficial conversion features are recognized when the contingency has been resolved.

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Development Stage

The Company complies with Statement of Financial Accounting Standard ASC 915-15 for its characterization of the Company as development stage.

Revenues

We currently do not have any revenues. We expect to derive our revenues from sale of our products which are currently under development.

Net Loss Per Share

Basic net loss per common share is computed based on the weighted average number of common shares outstanding during the period. Restricted shares issued with vesting condition that have not been met at the end of the period are excluded from the computation of the weighted average shares. As of February 28, 2014, 303,153 restricted shares of common stock were excluded from the computation of the weighted average shares.

Diluted net loss per common share is calculated giving effect to all dilutive potential common shares that were outstanding during the period. Diluted potential common shares generally consist of incremental shares issuable upon exercise of stock options and warrants and conversion of outstanding options and warrants and shares issuable from convertible securities.

In computing diluted loss per share for the years ended February 28, 2014 and 2013, no effect has been given to the common shares issuable at the end of the period upon the conversion or exercise of the following securities as their inclusion would have been anti-dilutive:

	February 28, 2014	February 28, 2013
Stock options	2,680,000	1,116,500
Warrants	3,146,355	2,732,074
Convertible notes	1,986,467	315,576
Total	**7,812,822**	**4,164,150**

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to net operating loss carry forwards and temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. A valuation allowance is recorded if it more likely than not that some portion or all of the deferred tax assets will not be realized in future periods.

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Research and Development Costs

Research and development costs are charged to operations when incurred and are included in operating expenses. Research and development costs consist principally of compensation cost for our employees and consultants that perform our research activities, the fees paid to maintain our licenses and the payments to third parties for clinical trial and additional product development and testing. Research and development costs were $824,336 and $516,798 for the years ended February 28, 2014 and February 28, 2013, respectively, and $2,365,539 for the period from July 22, 2009 (inception) to February 28, 2014.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stock-Based Compensation

We account for share-based payments award issued to employees and members of our Board of Directors by measuring the fair value of the award on the date of grant and recognizing this fair value as stock-based compensation using a straight-line basis over the requisite service period, generally the vesting period. For awards issued to non-employees, the measurement date is the date when the performance is complete or when the award vests, whichever is the earliest. Accordingly, non-employee awards are measured at each reporting period until the final measurement date. The fair value of the award is recognized as stock-based compensation over the requisite service period, generally the vesting period.

For awards with performance conditions that affect their vesting, such as the occurrence of certain transactions or the achievement of certain operating or financial milestones, recognition of fair value of the award occurs when vesting becomes probable. For awards with market condition that affect their vesting, the fair value of the award is recognized as stock-based compensation over the requisite service period, generally the vesting period.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Recently Issued Accounting Pronouncements

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

NOTE 3 – LICENSE AGREEMENT AND COMMITMENTS

License Agreement

The Company entered in to a Patent and Technology License Agreement (the "License Agreement") with the Albert Einstein College of Medicine of Yeshiva University, Massachusetts Institute of Technology, Cornell University, and the IFO-Regina Elena Cancer Institute (together the "Licensors") during August 2010. In conjunction with entering into the License Agreement, the Company also entered into a Stock Subscription Agreement (the "Subscription Agreement") and a Stockholders Agreement (the "Stockholders Agreement") with the Licensors, which included provisions such as participation rights in future financings, co-sale rights, and certain limited anti-dilution rights. The License Agreement grants the Company a world-wide exclusive license to materials and methods for use in the diagnosis and treatment of metastatic spread of solid tumor cancers. In return, the Company has agreed to grant Company equity to the Licensors, to reimburse the Licensors patent expenses thus far incurred, to pay all future patent expenses, pay a royalty on any sales of product using licensed technology, as well as certain minimum royalties and milestone payments.

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Pursuant to the License Agreement, we are also obligated to make the following royalties and payments to the Licensors:

- Royalty payment of a specified percentage of net sales.
- Minimum royalty payment of a specified percentage of net sales in case MetaStat pays royalties to unaffiliated third parties for patent rights.
- Issue 30% of MBM's outstanding common stock to the Licensors calculated on a fully diluted, as converted basis. Accordingly, on August 26, 2010 MBM issued 3,290,570 common shares valued at $74,786.
- Non-refundable license fee of $25,000 upon execution of License Agreement.
- License maintenance fee of $30,000 on each of the first, second, third and fourth anniversary of the License Agreement. The payment may be credited against royalties made during the twelve month period.
- License maintenance fee of $50,000, and $75,000 on the fifth and sixth anniversaries of the License Agreement, respectively. Each payment may be credited against royalties made during each such twelve month period.
- License maintenance fee of $100,000 on the seventh and each subsequent anniversary of the License Agreement. Each payment may be credited against royalties made during each such twelve month period.

License payments are expensed as incurred and recorded in research and development expense.

Second License Agreement and Third License Agreement

Additionally, effective in March 2012, we entered into two additional license agreements with Einstein. The second license agreement with Einstein (the "Second License Agreement") and the third license agreement with Einstein (the "Third License Agreement") both cover pending patent applications, patent disclosures, cell lines and technology surrounding discoveries in the understanding of the underlying mechanisms of systemic metastasis in solid epithelial cancers. The Second License Agreement and the Third License Agreement both require certain customary payments such as a license signing fee, reimbursement of patent expenses, annual license maintenance fees, milestone payments, and the payment of royalties on sales of products or services covered under such agreements.

Pursuant to the Second License Agreement, we are also obligated to make the following royalties and payments to the Einstein:

- Royalty payment of a specified percentage of net sales.
- Minimum royalty payment of a specified percentage of net sales in case MetaStat pays royalties to unaffiliated third parties for patent rights.
- Non-refundable license fee of $15,000 upon execution of Second License Agreement.
- License maintenance fee of $12,000 on each of the first and second anniversary of the Second License Agreement. The payment may be credited against royalties made during the twelve month period.
- License maintenance fee of $30,000, on each of the third, and forth anniversary of the Second License Agreement and $50,000 on the fifth anniversary of the Second License Agreement and $75,000 on the sixth anniversary of the Second License Agreement, respectively. Each payment may be credited against royalties made during each such twelve month period.
- License maintenance fee of $100,000 on the seventh and each subsequent anniversary of the Second License Agreement. Each payment may be credited against royalties made during each such twelve month period.

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Pursuant to the Third License Agreement, we are also obligated to make the following royalties and payments to the Einstein:

- Royalty payment of a specified percentage of net sales.
- Minimum royalty payment of a specified percentage of net sales in case MetaStat pays royalties to unaffiliated third parties for patent rights.
- Non-refundable license fee of $15,000 upon execution of Third License Agreement.
- License maintenance fee of $12,000 on each of the first and second anniversary of the Third License Agreement. The payment may be credited against royalties made during the twelve month period.
- License maintenance fee of $30,000, on each of the third, and forth anniversary of the Third License Agreement and $50,000 on the fifth anniversary of the Third License Agreement and $75,000 on the sixth anniversary of the Third License Agreement, respectively. Each payment may be credited against royalties made during each such twelve month period.
- License maintenance fee of $100,000 on the seventh and each subsequent anniversary of the Third License Agreement. Each payment may be credited against royalties made during each such twelve month period.

License payments are expensed as incurred and recorded in research and development expense.

2014 Alt. Spl. License Agreements

On December 7, 2013, we entered into two separate worldwide exclusive license agreements with M.I.T. and its David H. Koch Institute for Integrative Cancer Research at M.I.T. and its Department of Biology, Einstein, and Montefiore Medical Center ("Montefiore" and, together with M.I.T. and Einstein, the "Alt. Spl. Licensors"). The diagnostic license agreement (the "Alt. Spl. Diagnostic License Agreement") covers pending patent applications, patent disclosures, and technology surrounding discoveries of alternatively spliced mRNA and protein isoform markers for the diagnosis and prognosis of cancer through the epithelial to mesenchymal transition ("EMT") in epithelial solid tumor cancers. The therapeutic license agreement (the "Alt. Spl. Therapeutic License Agreement" and, together with the Diagnostic License Agreement, the "2014 Alt. Spl. License Agreements") covers pending patent applications, patent disclosures, and technology surrounding discoveries of alternatively spliced mRNA and protein isoform markers for the treatment and/or prevention of cancer through the EMT in epithelial solid tumor cancers. The 2014 Alt. Spl. License Agreements call for certain customary payments such as a license signing fee, reimbursement of patent expenses, annual license maintenance fees, milestone payments, and the payment of royalties on sales of products or services covered under the agreement.

Pursuant to the Diagnostic Alt. Splicing Agreement, we are obligated to make the following royalties and payments to the MIT:

- Royalty payment of a specified percentage of net sales.
- Minimum royalty payment of a specified percentage of net sales in case MetaStat pays royalties to unaffiliated third parties for patent rights.
- Non-refundable license fees of $15,000 upon execution of the Therapeutic Alt. Spl. Agreement
- License Maintenance fee of $10,000, $15,000, $25,000, $37,500, and $50,000 beginning on January 1, 2015 and on the second, third, fourth, and fifth anniversary respectively. Each payment will be credited against royalties made during each such twelve month period.
- License maintenance fee of $50,000 each year thereafter that the license is in effect. Each payment will be credited against royalties made during each such twelve month period.

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Pursuant to the Therapeutic Alt. Splicing Agreement, we are obligated to make the following royalties and payments to the MIT:

- Royalty payment of a specified percentage of net sales.
- Minimum royalty payment of a specified percentage of net sales in case MetaStat pays royalties to unaffiliated third parties for patent rights.
- Non-refundable license fees of $5,000 upon execution of the Therapeutic Alt. Spl. Agreement
- No license maintenance fees shall be due for as long as the Diagnostic Alt. Spl. License Agreement is in effect.

License payments are expensed as incurred and recorded in research and development expense.

Lease Agreements

Effective as of September 1, 2013, the Company entered into an agreement of lease with Long Island High Technology Incubator, Inc. in connection with the Company's new drug discovery research facility located in Stony Brook, New York. The term of the lease is for one year, from September 1, 2013 through August 31, 2014, and the rent payable thereunder is $28,000 per year, payable in monthly installments of $2,333.

NOTE 4 – INCOME TAXES

During the fiscal years ended February 28, 2014, and February 28, 2013, MetaStat incurred net losses and, therefore, has no tax liability.

The difference between income taxes at the statutory federal income tax rate and income taxes reported in the statements of operations are attributable to the following:

	February 28, 2014	February 28, 2013
Income tax benefit at the federal statutory rate	34.00%	34.00%
Permanent differences	(3.62%)	(3.24)%
Increase in valuation allowance	(30.38%)	(30.76%)
Provision for income tax	0%	0%

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As at February 28, 2014, and February 28, 2013, deferred tax assets (liabilities) consisted of the following:

	2014	2013
Net operating loss carryforwards	$ 2,830,058	$ 1,573,290
Stock-based compensation	904,278	246,238
	3,734,336	1,819.528
Depreciation	(10,273)	(10,273)
	3,724,063	1,809,255
Less: Valuation allowance	(3,724,063)	(1,809,255)
Net deferred tax asset	$ -	$ -

In assessing the realization of deferred tax assets, management determines whether it is more likely than not some, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the carryforward period as well as the period in which those temporary differences become deductible. Management considers the reversal of taxable temporary differences, projected taxable income and tax planning strategies in making this assessment. Based upon historical losses and the possibility of continued taxable losses over the periods that the deferred tax assets are deductible, management believes it is more likely than not that the Company will not realize the benefits of these deferred tax assets and thus recorded a valuation allowance against the entire net deferred tax asset balance. The valuation allowance increased by $1,914,808 and $1,132,682 in the years ended February 28, 2014 and 2013, respectively.

At February 28, 2014, the cumulative federal and state net operating loss carry-forwards are $7,372,397 and $5,445,159, respectively and, and will expire between 2029 and 2034.

The Internal Revenue Code (“IRC”) limits the amount of net operating loss carryforwards that a company may use in a given year in the event of certain cumulative changes in ownership over a three-year period as described in Section 382 of the IRC. We have not performed a detailed analysis to determine whether an ownership change has occurred. Such a change of ownership could limit our utilization of the net operating losses, and could be triggered by subsequent sales of securities by the Company or its stockholders.

The Company records interest and penalties related to unrecognized tax benefits within income tax expense. The Company had not accrued any interest or penalties related to unrecognized benefits. No amounts were provided for unrecognized tax benefits attributable to uncertain tax positions as of February 28, 2014 and 2013. The Company is no longer subject to Federal income tax assessment for years before 2010. However, since the Company has incurred net operating losses every year since inception, all of its income tax returns are subject to examination and adjustments by the Internal Revenue Service for at least three years following the year in which the tax attributes are utilized.

NOTE 5 – EQUITY

On February 27, 2012, we entered into the Exchange Agreement with MBM by issuing 18,369,421 shares of our common stock in exchange for the MBM Shares. Immediately prior to the Share Exchange, we had 840,000 shares outstanding which have been recorded as recapitalization of shareholders on MetaStat’s books at par.

During the year ended February 29, 2012, the Company sold 865,000 shares of common stock for proceeds of $865,000 which was received subsequent to February 29, 2012.

During the year ended February 28, 2013, the Company sold 880,000 shares of common stock for total proceeds of $880,000. Additionally, the Company issued 100,000 shares of restricted common stock to members of the board of directors for services for a total expense of $5,270.

During the year ended February 28, 2014, the Company issued 153,013 shares of common stock to members of its scientific advisory board and clinical advisory board vesting upon the listing of the Company’s common stock on a national exchange and achieving certain levels of trading. The Company will measure the fair value of the shares when vesting becomes probable. As of February 28, 2014, the Company has not recognized any expense in connection with these shares.

During the year ended February 28, 2014, the Company issued 150,000 shares of common stock to a member of its Board of Directors vesting upon the earlier of the Company achieving $5,000,000 in gross sales or a change in control. The Company valued the shares for a total fair value of $375,000 on the grant date. As of February 28, 2014, the Company has not recognized any expense in connection with these shares.

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During the year ended February 28, 2014, the Company issued 112,000 shares of common stock to an advisor and a consultant for services that vested immediately. The aggregate grant-date fair value of the shares amounted to $284,200 and was recognized as expense during the year ended February 28, 2014. $187,500 was allocated to research and development expenses and $96,700 was allocated to general and administrative expenses.

During the year ended February 28, 2014, the Company issued 12,000 shares of common stock to a consultant as settlement of an obligation. The fair value of the shares amounted to $15,000.

During the year ended February 28, 2014, the Company issued 92,468 shares of the Company's common stock to the holders of an aggregate of $1,387,000 principal amount of 2013 Notes for certain amendments to the 2013 Notes (the "Note Amendments"). See Note 8 for more details on this transaction.

NOTE 6 – STOCK OPTIONS

Under our 2012 Plan, which is administrated by the compensation committee of the Board of Directors, we have reserved 3,116,789 shares of common stock available for issuance and we may grant to employees, non-employee directors and consultants, equity incentives in the form of, among other, stock options, restricted stock, and stock appreciation rights. As of February 28, 2014, we had a total of 33,776 shares of common stock that remained available for issuance under the 2012 Plan.

During January 2012, the Company issued options to purchase 1,116,500 shares of common stock at $0.68 per share to its President, members of its scientific advisory board and clinical advisory board, and several consultants involved in the Company's ongoing research related to cancer. All of the options except 220,000 vest immediately and expire on January 6, 2022. These options that vested immediately have a fair value of $611,250, as calculated using the Black-Scholes model. Assumption used in the Black-Scholes model included: (1) a discount rate of 1.98%; (2) an expected term of 10 years; (3) an expected volatility of 403%; and (4) zero expected dividends. The unvested options were granted to a consultant and vest upon the successful conclusion of the Company's 500-patient MetaSite Breast trial, as determined by the compensation committee of the Board of Directors in its reasonable discretion. These unvested options will be measured and recognized when vesting is probable.

During the year ended February 28, 2014, the Company issued options to purchase 300,000 shares of common stock at $3.25 per share to members of its management team and its Board of Directors. The options vest in four equal installments on each of May 31, 2013, August 31, 2013, November 30, 2013 and February 28, 2014 and expire on April 5, 2023. These options have a total fair value of $632,794 as calculated using the Black-Scholes model. Assumptions used in the Black-Scholes model included: (1) a discount rate of 0.68%; (2) an expected term of 5.25 years; (3) an expected volatility of 128.9%; and (4) zero expected dividends. For the year ended February 28, 2014, the Company recognized $632,794 in expense for these options.

During the year ended February 28, 2014, the Company issued options to purchase 523,500 shares of common stock at $3.25 per share to members of its scientific advisory board and clinical advisory board and a consultant. The options vest in four equal installments on each of May 31, 2013, August 31, 2013, November 30, 2013 and February 28, 2014 and expire on April 5, 2023. Compensation expense related to these options was measured at each vesting date. The aggregated fair value of these options on the measurement dates amounted to $872,528 as calculated using the Black-Scholes model. Assumptions used in the Black-Scholes model included: (1) a discount rate of 2.59%; (2) an expected term of 9.48 years; (3) an expected volatility of 123.6%; and (4) zero expected dividends. For the year ended February 28, 2014, the Company recognized $872,528 in expense for these options.

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During the year ended February 28, 2014, the Company issued options to purchase 190,000 shares of common stock at $1.50 per share to employees. The options vest based on certain performance-based milestones and expire on December 16, 2023. These options have a total fair value of $270,274 as calculated using the Black-Scholes model. Assumptions used in the Black-Scholes model included: (1) a discount rate of 1.12%; (2) an expected term of 10 years; (3) an expected volatility of 121.5%; and (4) zero expected dividends. As of February 28, 2014, the Company did not recognize any expense for these options.

During the year ended February 28, 2014, the Company issued options to purchase 550,000 shares of common stock at $1.50 per share to a consultant. 100,000 options vest immediately and 450,000 options vest upon the Company achieving certain performance-based milestones, and expire on December 16, 2023. The options that vested immediately have a total fair value of $142,250 as calculated using the Black-Scholes model. Assumptions used in the Black-Scholes model included: (1) a discount rate of 1.12%; (2) an expected term of 10 years; (3) an expected volatility of 121.5%; and (4) zero expected dividends. For the options with vesting contingent on achieving certain performance-based milestones, the Company will measure the fair value of these options and recognize the compensation expense when vesting becomes probable. For the options that vested immediately, the Company recognized $142,250 in expense during the year ended February 28, 2014.

During the year ended February 28, 2014, stock option expense of $1,540,884 and $106,688 was recorded in general and administrative expenses and in research and development expenses, respectively.

The following table summarizes common stock options issued and outstanding:

	Options	Weighted average exercise price	Aggregate intrinsic value	Weighted average remaining contractual life (years)
Outstanding at February 28, 2013	1,116,500	$ 0.68	-	-
Granted	1,563,500	$ 2.42	-	-
Outstanding and expected to vest at February 28, 2014	2,680,000	$ 1.70	$ 599,025	8.78
Exercisable at February 28, 2014	1,820,000	$ 1.89	$ 599,025	8.53

As of February 28, 2014, 896,500 options are exercisable at $0.68 per share with a weighted average life of 7.86 years, 823,500 options are exercisable at $3.25 with a weighted average life of 9.10 years, and 100,000 options are exercisable at $1.50 with a weighted average life of 9.80 years. Additionally, 220,000 options with an exercise price of $0.68 and a weighted average life of 7.86 years have yet to vest and 640,000 options with an exercise price of $1.50 and a weighted average life of 9.80 years have yet to vest.

As of February 28, 2014, we had $270,274 of unrecognized compensation related to stock options whose recognition is dependent on certain milestones to be achieved. Additionally, there were 670,000 stock options with a performance vesting condition that were granted to consultants which will be measured and recognized when vesting becomes probable.

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NOTE 7 – WARRANTS

On November 14, 2011, MBM entered into consulting agreement with an advisor and issued warrants to purchase 220,000 shares of common stock at $0.68 per share that vested immediately. The fair value of these warrants was determined to be $149,999, as calculated using the Black-Scholes model. Assumption used in the Black-Scholes model included: (1) a discount rate of 0.91%; (2) an expected term of 5 years; (3) an expected volatility of 403%; and (4) zero expected dividends.

On January 31, 2012, MBM granted 1,497,124 warrants together with shares of common stock issued on January 31, 2012 exercisable at $0.91 per share and expiring on January 31, 2017. On February 27, 2012, the Company also granted 216,250 warrants together with shares of common stock exercisable at $1.40 per share and expiring on February 27, 2016.

Immediately prior to the Share Exchange, PVSO issued 350,000 warrants exercisable at $1.40 per share.

On October 4, 2012, we issued 150,000 warrants to a consultant exercisable at $1.50 per share. The fair value of these warrants was determined to be $149,995, as calculated using the Black-Scholes model. Assumptions used in the Black-Scholes model included: (1) a discount rate of 0.63%; (2) an expected term of 4 years; (3) an expected volatility of 420%; and (4) zero expected dividends.

During the year ended February 28, 2013, we issued 220,000 warrants together with shares of common stock issued on May 1, 2012 exercisable at $1.40 per share and expiring on May 1, 2016.

During the year ended February 28, 2013, we issued 78,700 detachable warrants with convertible notes. See Note 8 for more details on these transactions.

During the year ended February 28, 2014, the Company entered into a consulting agreement whereby the Company issued to the consultant 17,500 common stock purchase warrants with a term of four years and an exercise price equal to $2.50 per share. The fair value of these warrants was determined to be $17,495, as calculated using the Black-Scholes model. Average assumptions used in the Black-Scholes model included: (1) a discount rate of 1.09%; (2) an expected term of 4 years; (3) an expected volatility of 121%; and (4) zero expected dividends.

During the year ended February 28, 2014, we issued 295,833 detachable warrants with convertible notes. We also issued 93,468 warrants in connection with an amendment of certain convertible notes during the year ended February 28, 2014. See Note 8 for more details on these transactions.

In connection with the issuance of convertible notes, the Company issued placement agent warrants to purchase an aggregate of 8,480 shares of common stock. These placement agent warrants are exercisable at $2.50 per share, have a term of 5 years and a cashless exercise feature and vest immediately. The fair value of these warrants was determined to be $25,498, as calculated using the Black-Scholes model. Average assumptions used in the Black-Scholes model included: (1) a discount rate of 0.74%; (2) an expected term of 5 years; (3) an expected volatility of 134%; and (4) zero expected dividends.

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The following table summarizes common stock purchase warrants issued and outstanding as of February 2014 and 2013:

	Warrants	Weighted average exercise price	Aggregate intrinsic value	Weighted average remaining contractual life (years)
Outstanding at February 28, 2013	2,732,074	$ 1.13	$ -	-
Issued	414,281	$ 2.28	-	-
Outstanding at February 28, 2014	3,146,355	$ 1.24	$ 807,096	2.97

The following table summarizes common stock purchase warrants exercisable at February 28, 2014:

Exercise prices	Number of shares	Weighted average remaining life (years)	Exercisable number of shares
$ 0.68	220,000	2.71	220,000
$ 0.91	1,497,124	2.93	1,497,124
$ 1.40	786,250	2.49	786,250
$ 1.50	150,000	2.60	150,000
$ 2.10	447,001	4.13	447,001
$ 2.50	25,980	3.87	25,980
$ 3.00	20,000	2.92	20,000

NOTE 8 – CONVERTIBLE NOTES

2013 Notes

During the years ended February 28, 2014 and 2013, we issued convertible promissory notes in the aggregate principal amount of $700,000 and $787,000, respectively, originally due December 31, 2013 (the "2013 Notes").

The 2013 Notes bear interest at the rate of 8% per annum, mature on December 31, 2013 and rank senior to the Company's currently issued and outstanding indebtedness and equity securities. Upon the closing by us of an equity or equity based financing or a series of equity or equity based financings (a "Qualified Financing") resulting in gross proceeds to us of at least $3,500,000 in the aggregate, inclusive of the 2013 Notes, the outstanding principal amount of the 2013 Notes together with all accrued and unpaid interest thereunder (the "Outstanding Balance") shall automatically convert into such securities, including warrants, as are issued in the Qualified Financing, the amount of which shall be determined in accordance with the following formula: (the Outstanding Balance as of the closing of the Qualified Financing) x (1.15) / (the per security price of the securities sold in the Qualified Financing). Commencing six months following the issuance date of the 2013 Notes, the noteholders have the right, at their option, to convert the Outstanding Balance into shares of common stock at a conversion price of $2.50 per share.

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Along with the 2013 Notes, we also issued to the noteholders 70,000 and 78,700 detachable warrants during the years ended February 28, 2014 and 2013, respectively. The warrants had an original exercise price of $3.00 per share and can be exercised within a four year period.

On December 31, 2013, the Company entered into certain amendments to its outstanding 2013 Notes with the holders of an aggregate of $1,387,000 principal amount of 2013 Notes (the "Amendments"), whereby the holders of the 2013 Notes extended the maturity date of the 2013 Notes to June 30, 2014 from December 31, 2013. In consideration for entering into the Amendments, the Company (i) reduced the conversion price of the 2013 Notes to $1.50 per share from $2.50 per share, (ii) reduced the exercise price for an aggregate of 128,700 warrants issued in connection with the issuance of the 2013 Notes to $2.10 per share from $3.00 per share, (iii) issued an aggregate of 92,468 common stock purchase warrants with an exercise price of $2.10 per share and a term of four years, and (iv) issued an aggregate of 92,468 shares of the Company's common stock.

We determined the Amendments constituted a substantive modification of the notes and, as a result, we accounted for this transaction as extinguishment of debt instrument and the issuance of a new debt instrument ("Amended 2013 Notes"), which resulted in a loss on extinguishment of $32,853 being recognized. The loss on extinguishment was computed as follows:

Fair value of Amended 2013 Notes (1)	$ 1,243,482
Fair value of non-cash consideration issued to the creditor (2)	269,707
Reacquisition price	1,513,189
Carrying value of the debt at modification	1,480,336
Loss on extinguishment	$ 32,853

(1) Fair value was determined using level 2 inputs, specifically prices for a subsequent issuance of comparable debt instruments.
(2) Consist of $143,325 fair value of common stock issued and $126,382 fair value of warrants issued and warrants modified. The warrants were valued using a Black-Scholes model with the following inputs: (1) a discount rate of 1.27%; (2) an expected term of 4.00 years; (3) an expected volatility of 121%; and (4) zero expected dividends.

During the year ended February 28, 2014, we recorded $77,207 of accretion expense related to the Amended 2013 Notes.

In March 2014, the Company repaid the principal amount of $100,000 plus accrued interest of 2013 Notes to a holder thereof.

2014 Notes

In November 2013, the Company issued convertible promissory notes in the aggregate principal amount of $500,000 with 83,333 detachable warrants that can be exercised at $2.10 per share within a four year period (the "2014 Notes").

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The 2014 Notes bear interest at the rate of 8% per annum, mature on May 31, 2014 and rank *pari passu* to the 2013 Notes and senior to the Company's currently issued and outstanding and equity securities. Upon the closing by MetaStat of an equity or equity based financing or a series of equity or equity based financings (a "Qualified Financing") resulting in gross proceeds to the Company of at least $3,500,000 in the aggregate inclusive of the 2013 Notes and the 2014 Notes, the outstanding principal amount of the 2014 Notes together with all accrued and unpaid interest thereunder (the "Outstanding Balance") shall automatically convert into such securities, including warrants, as are issued in the Qualified Financing, the amount of which shall be determined in accordance with the following formula: (the Outstanding Balance as of the closing of the Qualified Financing) x (1.15) / (the per security price of the securities sold in the Qualified Financing). Commencing six months following the issuance date of the 2014 Notes, the noteholders have the right, at their option, to convert the Outstanding Balance into shares of common stock at a conversion price of $1.50 per share.

Additional 2014 Notes

In January and February 2014, the Company issued convertible promissory notes in the aggregate principal amount of $855,000 with 142,500 detachable warrants that can be exercised at $2.10 per share within a five-year period (the "Additional 2014 Notes").

The Additional 2014 Notes bear interest at the rate of 8% per annum, mature on June 30, 2014 and rank *pari passu* to the Company's issued and outstanding convertible promissory notes and senior to the Company's issued and outstanding equity securities. Upon the closing by the Company of an equity or equity based financing or a series of equity or equity based financings (a "Qualified Financing") resulting in gross proceeds to the Company of at least $5,000,000 in the aggregate, and the Company, prior to or concurrent with the completion of the Qualified Financing (the "Qualified Financing Threshold Amount"), the outstanding principal amount of the Additional 2014 Notes, together with all accrued and unpaid interest thereunder (the "Outstanding Balance"), shall automatically convert into such securities, including warrants of the Company, as are issued in the Qualified Financing, the amount of which shall be determined in accordance with the following formula: (the Outstanding Balance as of the closing of the Qualified Financing) x (1.15) / (the per security price of the securities sold in the Qualified Financing). For purposes of determining whether the Qualified Financing Threshold Amount has been satisfied, such amount shall include (i) the Outstanding Balance of the Additional 2014 Notes (each pursuant to the formula stated above) then outstanding, and (ii) the outstanding principal amount of the 2013 Notes and 2014 Notes together with all accrued and unpaid interest thereunder (pursuant to the same formula as stated above and therein). Following the issuance date of the Additional 2014 Notes, the lenders have the right, at their option, to convert the Outstanding Balance into shares of common stock at a conversion price of $1.50 per share.

Debt Discount and beneficial conversion feature

The detachable warrants issued in connection with the 2013 Notes, the 2014 Notes and the Additional 2014 Notes (collectively the "Convertible Notes") were recorded as a debt discount based on their relative fair value.

The detachable warrants issued during the year ended February 28, 2013 had a weighted-average fair value of $1.00, as calculated using the Black-Scholes model. Assumptions used in the Black-Scholes model included: (1) a discount rate of 0.63%; (2) an expected term of 4 years; (3) an expected volatility of 420%; and (4) zero expected dividends.

The detachable warrants issued during the year ended February 28, 2014 had a weighted-average fair value of $1.48, as calculated using the Black-Scholes model. Assumptions used in the Black-Scholes model included: (1) a discount rate of 0.88%; (2) an expected term of 4 years; (3) an expected volatility of 129%; and (4) zero expected dividends.

During the year ended February 28, 2013, the relative fair value of the detachable warrants of $71,543 was recorded as a discount to convertible debt.

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During the year ended February 28, 2014, the relative fair value of the detachable warrants of $357,145 was recorded as a discount to convertible debt. An additional debt discount of $532,210 was recorded to recognize the intrinsic value of the beneficial conversion feature. Any contingent beneficial conversion feature related to the automatic conversion of the Convertibles Notes would be recognized when and if a Qualified Financing occurs based on its intrinsic value at the commitment date.

During the year ended February 28, 2014 and 2013, $752,762 and $1,500, respectively, was recognized as accretion expense related to the debt discount.

NOTE 9 – FAIR VALUE MEASUREMENTS

Disclosure and measurement of fair value of our financial instruments reflect the amounts that we estimate to receive in connection with the sale of an asset or paid in connection with the transfer of a liability, when applicable, in an orderly transaction between market participants at the measurement date (exit price). For financial assets and liabilities that are periodically re-measured to fair value, we disclose a fair value hierarchy that prioritizes the use of inputs used in the applicable valuation techniques into the following three levels:

- Level 1 – quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable, and;
- Level 3 – Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

As of February 28, 2014, the Amended 2013 Notes had a carrying value of $1,320,689, which approximated its fair value based on Level 2 inputs.

The recorded value of certain financial assets and liabilities, which consist primarily of cash and cash equivalents, receivables, other current assets, and accounts payable and accrued expenses approximate the fair value at February 28, 2014 and 2013 based upon the short-term nature of the assets and liabilities. Based on borrowing rates currently available to the Company for loans with similar terms, and the remaining short term period outstanding, the carrying value of 2014 Notes and the Additional 2014 Notes approximates fair value.

NOTE 10 – EQUIPMENT

Equipment consists of the following:

	Estimated Useful lives	February 28, 2014	February 28, 2013
Research equipment	7 years	$ 165,537	$ -
Computer and software equipment	5 years	72,909	65,722
		238,446	65,722
Accumulated depreciation and amortization		(34,192)	(12,396)
Equipment, net		**$ 204,254**	**$ 53,326**

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Depreciation of equipment utilized in research and development activities is included in research and development expenses. All other depreciation is included in general and administrative expense. Depreciation and amortization expense was $21,796 and $11,125 for the years ended February 28, 2014 and 2013, respectively, and $34,192 for the period from July 22, 2009 (inception) to February 28, 2014.

NOTE 11 – RELATED PARTY TRANSACTIONS

Waterford Capital Acquisition Co. IX, LLC

During January and February 2012, we borrowed approximately $336,075 from Waterford Capital Acquisition Co. IX, LLC, and accounted for these as advances prior to the Share Exchange. Immediately prior to the Share Exchange, this debt was converted into 309,595 shares of our common stock.

Consulting Services

During the years ended February 28, 2014 and 2013, we paid one of our shareholders an aggregate of $110,000 and $72,000 of consulting fees for financial advisory services,

Additionally, pursuant to the 2012 Plan we issued this shareholder (i) 165,000 stock options with an exercise price equal to $0.68 on February 27, 2012 and (ii) 100,000 options with an exercise price of $3.25 on April 5, 2013.

NOTE 12 – SUBSEQUENT EVENTS

Lease Agreement

On March 1, 2014 we entered into a six-month lease arrangement for 550 square feet of offices at 1510 Broadway, 23rd Floor, New York, NY 10018 for $5,700 per month for our management and administrative facilities. The lease agreement will automatically renew for successive periods under the same terms unless alternative arrangements have been made in writing at least sixty days prior to the end date.

Additional 2014 Notes

In March 2014, the Company issued Additional 2014 Notes in the aggregate principal amount of $150,000 with 25,000 detachable warrants that can be exercised at $2.10 per share within a five-year period.

May 2014 Notes

In May and June 2014, we entered into separate convertible note and warrant purchase agreements with certain accredited investors for the issuance and sale in a private placement consisting of, in the aggregate: (a) $165,000 principal amount of convertible promissory notes (the "May 2014 Notes") convertible into shares of our common stock (the "Common Stock"), and (b) five-year warrants to purchase up to 55,001 shares of Common Stock at an exercise price of $1.50 per share, for aggregate gross proceeds of $165,000.

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The May 2014 Notes bear interest at the rate of 8% per annum, mature on June 30 and August 15, 2014 and rank *pari passu* to the Company's currently issued and outstanding 2013 Notes, 2014 Notes, and Additional 2014 Notes and senior to the Company's issued and outstanding equity securities. Upon the closing by the Company of an equity or equity based financing or a series of equity or equity based financings (a "Qualified Financing") resulting in gross proceeds to the Company of at least $5,000,000 in the aggregate and the Company, prior to or concurrent with the completion of the Qualified Financing, (the "Qualified Financing Threshold Amount"), the outstanding principal amount of the May 2014 Notes together with all accrued and unpaid interest (the "Outstanding Balance") shall automatically convert into such securities, including Warrants of the Company as are issued in the Qualified Financing, the amount of which shall be determined in accordance with the following formula: (the Outstanding Balance as of the closing of the Qualified Financing) x (1.15) / (the per security price of the securities sold in the Qualified Financing). For purposes of determining whether the Qualified Financing Threshold Amount has been satisfied, such amount shall include (i) the Outstanding Balance of the May 2014 Notes, (ii) the outstanding principal amount of the 2013 Notes, (iii) the outstanding principal amount of the 2014 Notes, and (iv) the outstanding principal amount of the Additional 2014 Notes, together with all accrued and unpaid interest thereunder.

Investor Relations Agreements

On March 2, 2014, we entered into a services agreement with an investor relations firm to perform certain investor relations, public relations, Internet development, communications and consulting services. The services agreement has an initial term of six months. We paid an initial retainer of $22,500 upon execution of the services agreement and are required to make three consecutive monthly payments of $7,500. In addition, we issued 50,000 shares of restricted stock to the investor relations firm in connection with entering into the services agreement.

Effective June 9, 2014, we entered into a consulting agreement with an investor relations firm to perform investor relation services. The consulting agreement has a term of six months. We are required to issue 250,000 shares of restricted shares of common stock upon signing of the agreement and shall pay a cash fee of $250,000 upon completion of a financing resulting in gross proceeds to us of at least $2,000,000.

Laboratory Equipment

On March 26, 2014, we entered into an agreement with HealthCare Equipment Funding located in Roswell, Georgia to finance the purchase of a Perkin Elmer Vectra 2.0 microscope for a purchase price of $318,603. The terms of the agreement require a down payment of $21,115 and 36 monthly payments of $10,260. The agreement further requires a security deposit of $238,952, which will be refunded to the Company in three equal installments upon the payment of the twelfth, the twenty-fourth and the thirty-sixth monthly payments. This security deposit was due and payable on May 1, 2014, however has been extended by mutual agreement of the parties. As further security, personal

guaranties were required of our chief executive officer and chief financial officer.

Exhibit 4.4

THIS NOTE AND THE SECURITIES INTO WHICH IT IS CONVERTIBLE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR UNLESS METASTAT, INC. SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT THE REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

METASTAT, INC.

May 2014 Convertible Promissory Note

U.S. $ _____ Issuance Date: _____ __, 2014
No.: _____ Maturity Date: August 15, 2014

FOR VALUE RECEIVED, MetaStat, Inc., a Nevada corporation (the "Company"), hereby promises to pay to the order of _____ or any permitted holder of this May 2014 Convertible Promissory Note (the "Payee"), at the principal office of the Payee set forth herein, or at such other place as the Payee may designate in writing to the Company, the principal sum of _____ ($_____), with interest on the unpaid principal balance hereof at a rate equal to eight percent (8%) per annum commencing on the date hereof, in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts and in immediately available funds, as provided in this May 2014 Convertible Promissory Note (this "May 2014 Note"). Concurrently with the issuance of this May 2014 Note, the Company is issuing separate May 2014 Notes (the "Other May 2014 Notes") to separate payees.

1. Automatic Conversion of Principal and Interest upon Qualified Financing. Upon the closing by the Company of an equity or equity based financing or a series of equity or equity based financings following the Issuance Date (a "Qualified Financing") resulting in gross proceeds to the Company of at least $5,000,000 in the aggregate and the Company, prior to or concurrent with the completion of the Qualified Financing, (the "Qualified Financing Threshold Amount"), the outstanding principal amount of this May 2014 Note together with all accrued and unpaid interest hereunder (the "Outstanding Balance") shall automatically convert, without any action on the part of the Payee, into such securities, including Warrants of the Company as are issued in the Qualified Financing, the amount of which shall be determined in accordance with the following formula: (the Outstanding Balance as of the closing of the Qualified Financing) x (**1.15**) **/** (the per security price of the securities sold in the Qualified Financing). For purposes of determining whether the Qualified Financing Threshold Amount has been satisfied, such amount shall include (i) the Outstanding Balance of this May 2014 Note and the Other May 2014 Notes (each pursuant to the formula stated above), (ii) the outstanding principal amount of the 2013 Notes (as defined in Section 4 below), (iii) the outstanding principal amount of the 2014 Notes (as defined in Section 4 below), and (iv) the outstanding principal amount of the Additional 2014 Notes (as defined in Section 4 below), together with all accrued and unpaid interest thereunder (pursuant to the same formula as stated above and therein). Upon such automatic conversion, the Payee shall be deemed to be a purchaser in the Qualified Financing and shall be granted all rights afforded to an investor in the Qualified Financing.

2. Voluntary Conversion of Principal and Interest. Subject to the terms and conditions of this Section 2 and provided this May 2014 Note remains outstanding and has not been converted pursuant to Section 1, the Payee shall have the right, at the Payee's option, to convert the Outstanding Balance (the "Conversion Option") into such number of fully paid and non-assessable shares of the Company's common stock (the "Conversion Shares") as is determined in accordance with the following formula: (the Outstanding Balance as of the date of the exercise of the Conversion Option) **/** (**$1.50**). If the Payee desires to exercise the Conversion Option, the Payee shall, by personal delivery or nationally-recognized overnight carrier, surrender the original of this May 2014 Note and give written notice to the Company (the "Conversion Notice"), which Conversion Notice shall (a) state the Payee's election to exercise the Conversion Option, and (b) provide for a representation and warranty of the Payee to the Company that, as of the date of the Conversion Notice, the Payee has not assigned or otherwise transferred all or any portion of the Payee's rights under this May 2014 Note to any third parties. The Company shall, as soon as practicable thereafter, issue and deliver to the Payee the number of Conversion Shares to which the Payee shall be entitled upon exercise of the Conversion Option.

3. Warrants. In consideration of the loan evidenced by this May 2014 Note, the Payee shall be issued warrants to purchase shares of common stock, at an exercise price of $1.50 per share with a term of five years, equal to 50% of the principal amount invested in this May 2014 Note divided by $1.50.

4. Seniority and Ranking. This May 2014 Note shall rank *pari passu* to the Company's currently issued and outstanding (i) convertible promissory notes with an original principal amount of $1,387,000 (the "2013 Notes"), (ii) convertible promissory notes with an original principal amount of $500,000 (the "2014 Notes"), and (iii) convertible promissory notes with an original principal amount of $1,005,000 (the "Additional 2014 Notes") and senior to the Company's issued and outstanding equity securities; *provided, however*, this May 2014 Note shall rank *pari-passu* with respect to the Other May 2014 Notes, up to an aggregate principal amount of $600,000, inclusive of this May 2014 Note.

5. Additional Indebtedness. The Company shall not, without first obtaining the consent from the holders of at least a majority of the then outstanding May 2014 Notes, (which consent will not be unreasonably withheld), incur any new indebtedness that ranks senior to the May 2014 Notes, while this May 2014 Note is outstanding; *provided, however*, that with respect to the issuance of May 2014 Notes or any indebtedness incurred in the ordinary course of business, the consent of the Payee will not be required.

6. Principal and Interest Payments.

(a) In the event a Qualified Financing is not completed and the Payee has not exercised the Conversion Option, the Company shall repay the entire principal balance then outstanding under this May 2014 Note no later than August 15, 2014 (the "Maturity Date").

(b) Interest on the outstanding principal balance of this May 2014 Note shall accrue at a rate of eight percent (8%) per annum commencing on the date hereof, which interest shall be computed on the basis of the actual number of days elapsed and a year of three hundred and sixty-five (365) days. In the event a Qualified Financing is not completed and the Payee has not exercised the Conversion Option, all accrued and unpaid interest due under this May 2014 Note shall be payable on the Maturity Date by the Company in cash. Furthermore, upon the occurrence of an Event of Default (as defined below), then to the extent permitted by applicable law, the Company will pay interest to the Payee on the then outstanding principal balance of the May 2014 Note from the date of the Event of Default until this May 2014 Note is paid in full at the rate of twelve percent (12%) per annum.

(c) At the Company's sole option, the Company may prepay all or a portion of the outstanding principal amount of this May 2014 Note and/or all or a portion of the accrued and unpaid interest hereon (the "Prepayment Amount") at any time prior to the Maturity Date in cash. Any payments made under this May 2014 Note shall be applied first to the accrued and unpaid interest, if any, and the remainder to the unpaid principal amount. Notwithstanding the foregoing, the holder of this May 2014 Note shall retain the right to convert this May 2014 Note, for a period of ten (10) business days following the Company's notice of its intention to prepay this May 2014 Note.

7. Non-Business Days. Whenever any payment to be made shall be due on a Saturday, Sunday or a public holiday under the laws of the State of New York, such payment may be due on the next succeeding business day and such next succeeding day shall be included in the calculation of the amount of accrued interest payable on such date.

8. Events of Default. The occurrence of any of the following events shall be an "Event of Default" under this May 2014 Note:

(a) the Company shall fail to make the payment of any principal amount outstanding for a period of three (3) business days after the date such payment shall become due and payable hereunder; or

(b) the Company shall fail to make the payment of any accrued and unpaid interest for a period of three (3) business days after the date such interest shall become due and payable hereunder; or

(c) the holder of any indebtedness of the Company shall accelerate any payment of any amount or amounts of principal or interest on any such indebtedness (the "Indebtedness") (other than with respect to this May 2014 Note and notes of like tenor) prior to its stated maturity or payment date, the aggregate principal amount of which Indebtedness is in excess of $250,000, whether such Indebtedness now exists or shall hereinafter be created, and such accelerated payment entitles the holder thereof to immediate payment of such Indebtedness which is due and owing and such indebtedness has not been discharged in full or such acceleration has not been stayed, rescinded or annulled within twenty (20) business days of such acceleration; or

(d) A judgment or judgments for the payment of money shall be rendered against the Company for an amount in excess of $500,000 in the aggregate (net of any applicable insurance coverage) for all such judgments that shall remain unpaid for a period of sixty (60) consecutive days or more after its entry or issue or that shall not be discharged, released, dismissed, stayed or bonded (due to an appeal or otherwise) within the sixty (60) consecutive day period after its entry or issue; or

(e) the Company shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or assets, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Federal Bankruptcy Code, as amended (the "Bankruptcy Code") or under the comparable laws of any jurisdiction (foreign or domestic), (iv) file a petition seeking to take advantage of any bankruptcy, insolvency, moratorium, reorganization or other similar law affecting the enforcement of creditors' rights generally, or (v) acquiesce in writing to any petition filed against it in an involuntary case under the Bankruptcy Code or under the comparable laws of any jurisdiction (foreign or domestic); or

(f) a proceeding or case shall be commenced in respect of the Company without its application or consent, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, moratorium, dissolution, winding up, or composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets or (iii) similar relief in respect of it under any law providing for the relief of debtors, and such proceeding or case described in clause (i), (ii) or (iii) shall continue undismissed, or unstayed and in effect, for a period of forty-five (45) consecutive days or any order for relief shall be entered in an involuntary case under the Bankruptcy Code or under the comparable laws of any jurisdiction (foreign or domestic) against the Company or any of its subsidiaries and shall continue undismissed, or unstayed and in effect for a period of forty-five (45) consecutive days.

9. Remedies Upon An Event of Default. If an Event of Default shall have occurred and shall be continuing, the Payee of this May 2014 Note may at any time at its option, (a) declare, by providing the Company with not less than five (5) days prior written notice, the entire unpaid principal balance of this May 2014 Note together with all interest accrued and unpaid hereon, due and payable, and upon the Company's receipt of such notice, the same shall be accelerated and so due and payable; *provided, however*, that upon the occurrence of an Event of Default described in (i) Sections 7(e) and (f), without presentment, demand, protest, or notice, all of which are hereby expressly unconditionally and irrevocably waived by the Company, the outstanding principal balance and accrued and unpaid interest hereunder shall be immediately due and payable, and (ii) Sections 7(a) through (d) the Payee may exercise or otherwise enforce any one or more of the Payee's rights, powers, privileges, remedies and interests under this May 2014 Note or applicable law. No course of delay on the part of the Payee shall operate as a waiver thereof or otherwise prejudice the right of the Payee. No remedy conferred hereby shall be exclusive of any other remedy referred to herein or now or hereafter available at law, in equity, by statute or otherwise. Notwithstanding anything to the contrary contained in this May 2014 Note, Payee agrees that its rights and remedies hereunder are limited to receipt of cash or shares of the Company's common stock in the amounts described herein.

10. Replacement. Upon receipt of a duly executed and notarized written statement from the Payee with respect to the loss, theft or destruction of this May 2014 Note (or any replacement hereof), and without requiring an indemnity bond or other security, or, in the case of a mutilation of this May 2014 Note, upon surrender and cancellation of such May 2014 Note, the Company shall issue a new May 2014 Note, of like tenor and amount, in lieu of such lost, stolen, destroyed or mutilated May 2014 Note.

11. Parties in Interest; Transferability. This May 2014 Note shall be binding upon the Company and its successors and assigns and the terms hereof shall inure to the benefit of the Payee and its successors and permitted assigns. This May 2014 Note may not be transferred or sold, pledged, hypothecated or otherwise granted as security by the Payee without the prior written consent of the Company, which consent will not be unreasonably withheld.

12. Amendments. This May 2014 Note may be amended, modified or terminated only by a written instrument executed by the Company and the holders holding a majority of the aggregate principal amount of this May 2014 Note and the Other May 2014 Notes. Any amendment, modification or termination so effected shall be binding upon the Company, the Payee and all of their respective successors and permitted assigns whether or not such party, assignee or other stockholder entered into or approved such amendment, modification or termination.

13. Notices. Any notice, demand, request, waiver or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery by telecopy or facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur.

Address of the Payee:

_____
_____
_____
_____
Attention:
Tel. No.:
Fax No.:

Address of the Company:

MetaStat, Inc.
1410 Broadway, 23rd Floor
New York, NY 10018
Attention: Chief Executive Officer
Office: (212) 796-8170
Fax: (646) 304-7086

14. Governing Law. This May 2014 Note shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to the choice of law provisions. This May 2014 Note shall not be interpreted or construed with any presumption against the party causing this May 2014 Note to be drafted.

15. Headings. Article and section headings in this May 2014 Note are included herein for purposes of convenience of reference only and shall not constitute a part of this May 2014 Note for any other purpose.

16. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this May 2014 Note shall be cumulative and in addition to all other remedies available under this May 2014 Note, at law or in equity (including, without limitation, a decree of specific performance and/or other injunctive relief), no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit a Payee's right to pursue actual damages for any failure by the Company to comply with the terms of this May 2014 Note. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable and material harm to the Payee and that the remedy at law for any such breach may be inadequate. Therefore the Company agrees that, in the event of any such breach or threatened breach, the Payee shall be entitled, in addition to all other available rights and remedies, at law or in equity, to seek and obtain such equitable relief, including but not limited to an injunction restraining any such breach or threatened breach, without the necessity of showing economic loss and without any bond or other security being required.

17. Failure or Delay Not Waiver. No failure or delay on the part of the Payee in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

18. Enforcement Expenses. The Company agrees to pay all reasonable costs and expenses of enforcement of this May 2014 Note, including, without limitation, reasonable attorneys' fees and expenses.

19. Binding Effect. The obligations of the Company and the Payee set forth herein shall be binding upon the successors and permitted assigns of each such party.

20. Compliance with Securities Laws. The Payee acknowledges and agrees that this May 2014 Note and the securities issuable upon the conversion of this May 2014 Note, is being, and will be, acquired solely for the Payee's own account and not as a nominee for any other party, and for investment purposes only and not with a view to the resale or distribution of any part thereof, and that the Payee shall not offer, sell or otherwise dispose of this May 2014 Note or the securities issuable upon the conversion of this 2014 Note other than in compliance with applicable federal and state laws. The Payee understands that this May 2014 Note and the securities issuable upon the conversion of this May 2014 Note are "restricted securities" under applicable federal and state securities laws and that such securities have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Securities Act"). The Payee represents and warrants to the Company that the Payee is an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act. This May 2014 Note and any May 2014 Note issued in substitution or replacement therefore, and the securities issuable upon the conversion of this May 2014 Note, shall be stamped or imprinted with a legend in substantially the following form:

> "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR UNLESS METASTAT, INC. SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT THE REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED."

21. Severability. The provisions of this May 2014 Note are severable, and if any provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall not in any manner affect such provision in any other jurisdiction or any other provision of this May 2014 Note in any jurisdiction.

22. Consent to Jurisdiction. Each of the Company and the Payee (i) hereby irrevocably submits to the jurisdiction of the United States District Court sitting in the Southern District of New York and the courts of the State of New York located in New York county for the purposes of any suit, action or proceeding arising out of or relating to this May 2014 Note and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Company and the Payee consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address set forth in Section 13 hereof and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 22 shall affect or limit any right to serve process in any other manner permitted by applicable law.

23. Waivers. Except as otherwise specifically provided herein, the Company hereby waives presentment, demand, notice of nonpayment, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this May 2014 Note, and does hereby consent to any number of renewals or extensions of the time for payment hereof and agrees that any such renewals or extensions may be made without notice and without affecting its liability herein, AND DOES HEREBY WAIVE TRIAL BY JURY. No delay or omission on the part of the Payee in exercising its rights under this May 2014 Note, or course of conduct relating hereto, shall operate as a waiver of such rights or any other right of the Payee, nor shall any waiver by the Payee of any such right or rights on any one occasion be deemed a waiver of the same right or rights on any future occasion.

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IN WITNESS WHEREOF, the Company has executed and delivered this May 2014 Note as of the date first written above.

METASTAT, INC.

By: _____
Name: Oscar L. Bronsther, M.D.
Title: Chief Executive Officer

ACCEPTED AND AGREED:

PAYEE

By: _____
Name:
Title:

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

METASTAT, INC.

Warrant Shares: [_____] Initial Exercise Date: May __, 2014

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, [_____] or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the five year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from MetaStat, Inc., a Nevada corporation (the "Company"), up to [_____] shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(c).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain May 2014 Convertible Note and Warrant Purchase Agreement (the "Purchase Agreement"), dated May __, 2014, among the Company and the purchasers signatory thereto.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice of Exercise form annexed hereto and within five (5) Trading Days of the date said Notice of Exercise is delivered to the Company, the Company shall have received payment of the aggregate Exercise Price of the shares thereby purchased at the Holder's election (i) by cashier's check drawn on a United States bank or by wire transfer to an account designated by the Company, or (ii) by "cashless exercise" in accordance with the provisions of subsection (b) below. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within five (5) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall use its commercially reasonable efforts to deliver any objection to any Notice of Exercise Form within two (2) Business Days of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Cashless Exercise. Notwithstanding any provision herein to the contrary, commencing one year from the Initial Exercise Date, if the Per Share Market Value (as defined below) of one share of Common Stock is greater than the Exercise Price (at the date of calculation as set forth below) and there is not an effective registration statement under the Securities Act providing for the resale of the Warrant Shares, in lieu of exercising this Warrant by payment of cash, the Holder may exercise this Warrant by a cashless exercise by surrender of this Warrant at the principal office of the Company together with the properly endorsed Notice of Exercise, in which event the Company shall issue to the Holder a number of shares of Common Stock computed using the following formula:

$$X = Y - \frac{(A)(Y)}{B}$$

Where X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares purchasable upon exercise of all of the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised.

A = the Exercise Price.

B = the Per Share Market Value of one share of Common Stock.

For purposes hereof, "Per Share Market Value" means on any particular date (a) the last closing bid price per share of the Common Stock on such date on the OTC Bulletin Board or another registered national stock exchange on which the Common Stock is then listed, or if there is no such price on such date, then the closing bid price on such exchange or quotation system on the date nearest preceding such date, or (b) if the Common Stock is not listed then on the OTC Bulletin Board or any registered national stock exchange, the last closing bid price for a share of Common Stock in the over the counter market, as reported by the OTC Bulletin Board or by Pink OTC Markets Inc. or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (c) if the Common Stock is not then reported by the OTC Bulletin Board or by Pink OTC Markets Inc. (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the five (5) Trading Days preceding such date of determination, or (d) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined by the Company's board of directors.

c) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be **$1.50**, subject to adjustment hereunder (the "Exercise Price").

d) Mechanics of Exercise.

i. Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder and in connection with such issuance or resale such Warrant shares are sold by the Holder, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is five (5) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise, (B) surrender of this Warrant (if required), and (C) payment of the aggregate Exercise Price as set forth above (such date, the "Warrant Share Delivery Date"). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such Warrant Shares, having been paid.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to an exercise on or before the date that is two (2) Trading Days following the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. The Company shall pay any and all issue and other taxes, excluding federal, state or local income taxes, that may be payable in respect of any issue or delivery of the Warrant Shares upon exercise of this Warrant; provided, however, that the Company shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder in connection with any such exercise.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), and the provisions of this Section 2(e) shall continue to apply with respect to such increased or decreased Beneficial Ownership Limitation. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

a) Adjustments for Stock Splits, Combinations, Certain Dividends and Distributions. If the Company shall, at any time or from time to time after the Initial Exercise Date, effect a split of the outstanding Common Stock (or any other subdivision of its shares of Common Stock into a larger number of shares of Common Stock), combine the outstanding shares of Common Stock into a smaller number of shares of Common Stock, or make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in shares of Common Stock, then, in each event (i) the number of shares of Common Stock for which this Warrant shall be exercisable immediately after the occurrence of any such event shall be adjusted to equal the number of shares of Common Stock that a record holder of the same number of shares of Common Stock for which this Warrant is exercisable immediately prior to the occurrence of such event would own or be entitled to receive after the happening of such event, and (ii) the Exercise Price then in effect shall be adjusted to equal (A) the Exercise Price then in effect multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (B) the number of shares of Common Stock for which this Warrant is exercisable immediately after such adjustment.

b) Adjustment for Other Dividends and Distributions. If the Company shall, at any time or from time to time after the Initial Exercise Date, make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in (i) cash, (ii) any evidences of indebtedness, or any other securities of the Company or any property of any nature whatsoever, other than, in each case, shares of Common Stock; or (iii) any warrants or other rights to subscribe for or purchase any evidences of indebtedness, or any other securities of the Company or any property of any nature whatsoever, other than, in each case, shares of Common Stock, then, and in each event, (A) the number of shares of Common Stock for which this Warrant shall be exercisable shall be adjusted to equal the product of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such adjustment multiplied by a fraction (1) the numerator of which shall be the last closing bid price per share of the Common Stock at the date of taking such record and (2) the denominator of which shall be such last closing bid price per share of the Common Stock minus the amount allocable to one share of Common Stock of any such cash so distributable and of the fair value (as determined in good faith by the Board) of any and all such evidences of indebtedness, shares of stock, other securities or property or warrants or other subscription or purchase rights so distributable, and (B) the Exercise Price then in effect shall be adjusted to equal (1) the Exercise Price then in effect multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (2) the number of shares of Common Stock for which this Warrant is exercisable immediately after such adjustment. A reclassification of the Common Stock (other than a change in par value, or from par value to no par value or from no par value to par value) into shares of Common Stock and shares of any other class of stock shall be deemed a distribution by the Company to the holders of its Common Stock of such shares of such other class of stock within the meaning of this Section 3(b) and, if the outstanding shares of Common Stock shall be changed into a larger or smaller number of shares of Common Stock as a part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstanding shares of Common Stock within the meaning of Section 3(a).

c) Adjustments for Reclassification, Exchange or Substitution. If the Common Stock for which this Warrant is exercisable at any time or from time to time after the Initial Exercise Date shall be changed to the same or different number of shares of any class or classes of stock, whether by reclassification, exchange, substitution or otherwise (other than by way of a stock split or combination of shares or stock dividends provided for in Section 3(a), Section 3(b), or a reorganization, merger, consolidation, or sale of assets provided for in Section 3(d)), then, and in each event, an appropriate revision to the Exercise Price shall be made and provisions shall be made (by adjustments of the Exercise Price or otherwise) so that, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, in lieu of Warrant Stock, the kind and amount of shares of stock and other securities receivable upon reclassification, exchange, substitution or other change, by holders of the number of shares of Common Stock for which this Warrant was exercisable immediately prior to such reclassification, exchange, substitution or other change, all subject to further adjustment as provided herein.

d) Adjustments for Reorganization, Merger, Consolidation or Sales of Assets. If at any time or from time to time after the Initial Exercise Date there shall be a capital reorganization of the Company (other than by way of a stock split or combination of shares or stock dividends or distributions provided for in Section 3(a), and Section 3(b), or a reclassification, exchange or substitution of shares provided for in Section 3(c)), or a merger or consolidation of the Company with or into another corporation where the holders of the Company's outstanding voting securities prior to such merger or consolidation do not own over 50% of the outstanding voting securities of the merged or consolidated entity, immediately after such merger or consolidation, or the sale of all or substantially all of the Company's properties or assets to any other person (an "Organic Change"), then as a part of such Organic Change an appropriate revision to the Exercise Price shall be made if necessary and provision shall be made if necessary (by adjustments of the Exercise Price or otherwise) so that, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, in lieu of Warrant Stock, the kind and amount of shares of stock and other securities or property of the Company or any successor corporation resulting from the Organic Change. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 3(d) with respect to the rights of the Holder after the Organic Change to the end that the provisions of this Section 3(d) (including any adjustment in the Exercise Price then in effect and the number of shares of stock or other securities deliverable upon exercise of this Warrant) shall be applied after that event in as nearly an equivalent manner as may be practicable.

e) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

f) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment..

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of

the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Section 4.1 of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations reasonably requested in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be substantially identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d)Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions of the Purchase Agreement and applicable securities laws.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation in any material respect of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be reasonably necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, reasonably necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be reasonably necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of this Warrant and the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the prior written consent of the Company and the holders of a majority of the then outstanding warrants issued pursuant to the Purchase Agreement.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

METASTAT, INC.

By:_____
Name:
Title:

NOTICE OF EXERCISE

TO: METASTAT, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

_____

_____

_____

(3) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

(4) The undersigned intends that payment of the Exercise Price shall be made as (check one):

Cash Exercise_____

Cashless Exercise_____

If the Holder has elected a Cash Exercise, the Holder shall pay the sum of $_____ by certified or official bank check (or via wire transfer) to the Company in accordance with the terms of the Warrant.

If the Holder has elected a Cashless Exercise, a certificate shall be issued to the Holder for the number of shares equal to the whole number portion of the product of the calculation set forth below, which is _____. The Company shall pay a cash adjustment in respect of the fractional portion of the product of the calculation set forth below in an amount equal to the product of the fractional portion of such product and the Per Share Market Value on the date of exercise, which product is _____.

$$X = Y - \frac{(A)(Y)}{B}$$

Where:

The number of shares of Common Stock to be issued to the Holder is ("X").

The number of shares of Common Stock purchasable upon exercise of all of the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised is ("Y").

The Exercise Price is ("A").

The Per Share Market Value of one share of Common Stock is ("B").

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____ all of or [_____ shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 10.15

MAY 2014 CONVERTIBLE NOTE AND WARRANT PURCHASE AGREEMENT

This May 2014 Convertible Note and Warrant Purchase Agreement, dated as of _____ __, 2014 (this "Agreement"), is entered into by and among MetaStat, Inc., a Nevada corporation (the "Company"), and the other signatories hereto (each a "Lender" and collectively, the "Lenders").

RECITALS

A. On the terms and subject to the conditions set forth herein, Lenders are willing to purchase from Company and Company is willing to issue and sell to Lenders, May 2014 Convertible Promissory Notes in the principal amount of up to Six Hundred Thousand Dollars ($600,000), substantially in the form attached hereto as Exhibit A (each a "May 2014 Note" and collectively, the "May 2014 Notes");

B. As additional consideration for the issuance of the May 2014 Notes by the Company, the Company is issuing to the Lenders warrants, in substantially the form attached hereto as Exhibit B ("Warrants"), to purchase that number of shares of the Company's common stock, $0.0001 par value per share (the "Common Stock"), equal to 50% of the total principal amount of May 2014 Notes purchased pursuant to this Agreement by each Lender, divided by $1.50 (the "Warrant Shares") with an exercise price of $1.50 per Warrant Share; and

C. This Agreement, the May 2014 Notes, and the Warrants are referred to herein collectively as the "Transaction Documents").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and the representations, warranties, and conditions set forth below, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Issuance and Sale of the May 2014 Notes and Warrants. In reliance upon the representations, warranties and covenants of the parties set forth herein, the Company agrees to issue, sell and deliver to each Lender, and each Lender agrees, severally and not jointly, to purchase from the Company an May 2014 Note in the principal amount set forth below Lender's name on the signature page hereto, which May 2014 Note shall include a Warrant exercisable for that number of Warrant Shares set forth below Lender's name on the signature page hereto. The purchase price (the "Purchase Price") for the May 2014 Note and Warrant shall be equal to the principal amount indicated on the face of the May 2014 Note and set forth below Lender's name on the signature page hereto. The Company and the Lender are executing and delivering this Agreement and issuing the May 2014 Notes and Warrants in accordance with and in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), including Regulation D ("Regulation D"), and/or upon such other exemption from the registration requirements of the Securities Act as may be available with respect to any or all of the investments to be made hereunder. The May 2014 Notes, the Warrants and the Warrant Shares are sometimes collectively referred to herein as the "Securities".

2. Closing; Delivery. The Company will deliver to Lenders the May 2014 Notes against receipt by the Company of the Purchase Price for the May 2014 Notes in an aggregate purchase price of up to Six Hundred Thousand Dollars ($600,000). Each Warrant shall be issued within five (5) business days following the receipt by the Company of the purchase price for the May 2014 Note. The initial closing (the "Initial Closing") of the purchase and sale of the May 2014 Notes and Warrants to be acquired by the Lenders from the Company under this Agreement shall take place at such time as Lenders have executed this Agreement to purchase at least Twenty Five Thousand Dollars ($25,000) principal amount of May 2014 Notes (the "Closing"), and all of the conditions set forth in Sections 5 and 6 hereof and applicable to the Closing shall have been fulfilled or waived in accordance herewith (the "Closing Date"). At the Initial Closing, each Lender shall deliver its Purchase Price by wire transfer to the Company according to the instructions attached hereto as Exhibit C ("Wire Instructions"). After the Initial Closing, the Company may conduct any number of additional closings (each, an "Additional Closing") until $600,000 principal amount of May 2014 Notes have been issued and sold to the Lenders. At each Additional Closing, each Lender shall deliver its Purchase Price by wire transfer to an account designated by the Company according to the Wire Instructions.

3. Representations and Warranties of the Company. Subject to any exceptions set forth in schedules attached hereto, and except as set forth in Commission Documents (as defined in Section 3(g) below), which schedules and Commission Documents are incorporated herein by this reference, the Company hereby represents and warrants to each Lender that:

(a) Organization and Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has all requisite corporate power and authority to carry on its business as now conducted and proposed to be conducted as described in the Commission Documents. The Company and each such Subsidiary (as defined in Section 3(h)) is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary except for any jurisdiction(s) (alone or in the aggregate) in which the failure to be so qualified will not have a Material Adverse Effect. For the purposes of this Agreement, "Material Adverse Effect" means any material adverse effect on the business, operations, properties, prospects, or financial condition of the Company and its Subsidiaries, taken as a whole, and/or any condition, circumstance, or situation that would prohibit or otherwise materially interfere with the ability of the Company to perform any of its obligations under this Agreement in any material respect.

(b) Corporate Power. The Company has all requisite legal and corporate power to enter into, execute and deliver the Transaction Documents this Agreement, and, upon issuance, the May 2014 Notes and Warrants will be, valid and binding obligations of the Company, enforceable in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, moratorium, and other laws of general application affecting the enforcement of creditors' rights.

(c) Authorization. All corporate and legal action on the part of the Company, its officers, directors and shareholders necessary for the execution and delivery of the Transaction Documents, the sale and issuance of the May 2014 Note and the Warrants, and the performance of the Company's obligations hereunder and under the other Transaction Documents, have been taken. When paid for and issued in accordance with the terms hereof, the May 2014 Notes shall be validly issued and outstanding, free and clear of all liens, encumbrances and rights of refusal of any kind. When the Warrant Shares are upon exercise of the Warrants and payment of the exercise price therefor, such Warrant Shares will be duly authorized by all necessary corporate action and validly issued and outstanding, fully paid and nonassessable, free and clear of all liens, encumbrances and rights of refusal of any kind and the holders shall be entitled to all rights accorded to a holder of Common Stock.

(d) Capitalization. The authorized capital stock of the Company as of the date hereof is set forth on Schedule 3(d) hereto. All of the outstanding shares of the Common Stock and any other outstanding security of the Company have been duly and validly authorized and validly issued, fully paid and nonassessable. Except as set forth in this Agreement, no shares of Common Stock or any other security of the Company are entitled to preemptive rights, rights of first refusal or similar rights and except as set forth on Schedule 3(d) hereto, there are no outstanding options, warrants, scrip, rights to subscribe to, call or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company. Except for customary transfer restrictions contained in agreements entered into by the Company in order to sell restricted securities, the Company is not a party to or bound by any agreement or understanding granting full-ratchet anti-dilution rights to any person with respect to any of its equity or debt securities. The Company is not a party to, and it has no knowledge of, any agreement or understanding restricting the voting or transfer of any shares of the capital stock of the Company. Except as disclosed below, (i) there are no outstanding debt securities, or other form of material debt of the Company or any of its Subsidiaries, (ii) there are no contracts, commitments, understandings, agreements or arrangements under which the Company or any of its Subsidiaries is required to register the sale of any of their securities under the Securities Act, (iii) there are no outstanding securities of the Company or any of its Subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings, agreements or arrangements by which the Company or any of its Subsidiaries is or may become bound to redeem a security of the Company or any of its Subsidiaries, (iv) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Securities, (v) the Company does not have any stock appreciation rights or "phantom stock" plans or agreements, or any similar plan or agreement and (vi) as of the date of this Agreement, to the Company's and each of its Subsidiaries' knowledge, no person or group of related persons beneficially owns (as determined pursuant to Rule 13d-3 promulgated under the Exchange Act (as defined below)) or has the right to acquire by agreement with or by obligation binding upon the Company, beneficial ownership of in excess of 5% of the Common Stock. Any person

with any right to purchase securities of the Company that would be triggered as a result of the transactions contemplated hereby or by any of the other Transaction Documents has waived such rights or the time for the exercise of such rights has passed, except where failure of the Company to receive such waiver would not have a Material Adverse Effect. There are no options, warrants or other outstanding securities of the Company (including, without limitation, any equity securities issued pursuant to any Company Plan) the vesting of which will be accelerated by the transactions contemplated hereby or by any of the other Transaction Documents. None of the transactions contemplated by this Agreement or by any of the other Transaction Documents shall cause, directly or indirectly, the acceleration of vesting of any options issued pursuant the Company's stock option plans. The Company has reserved 3,316,789 shares of Common Stock for issuance to officers, directors, employees and consultants of the Company pursuant to its Amended and Restated 2012 Omnibus Securities and Incentive Plan duly adopted by the Board of Directors of the Company and approved by the Company stockholders (the "Stock Plan"). Of such reserved shares of Common Stock, except as set forth on Schedule 3(d) hereto, no shares have been issued pursuant to restricted stock purchase agreements, no options to purchase shares have been granted and are currently outstanding, and all such shares of Common Stock remain available for issuance to officers, directors, employees and consultants pursuant to the Stock Plan. The Company has made available to the Purchasers complete and accurate copies of the Stock Plan and forms of agreements used thereunder.

(e) No Conflicts. The execution, delivery and performance by the Company of its obligations under the Transaction Documents will not: (i) conflict with or result in a breach of or a default under any of the terms or provisions of, (A) the Company's articles of incorporation (the "Articles") or by-laws ("Bylaws"), or (B) any material provision of any indenture, mortgage, deed of trust or other material agreement or instrument to which the Company is a party or by which it or any of its material properties or assets is bound, (ii) result in a violation of any material provision of any law, statute, rule, regulation, or any existing applicable decree, judgment or order by any court, Federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company, or any of its material properties or assets or (iii) result in the creation or imposition of any material lien, charge or encumbrance upon any material property or assets of the Company or any of its subsidiaries pursuant to the terms of any agreement or instrument to which any of them is a party or by which any of them may be bound or to which any of their property or any of them is subject except, in the case of clauses (i)(B), (ii) and (iii), for such violations, breaches, conflicts, defaults or other occurrences which, individually or in the aggregate, would not have a Material Adverse Effect.

(f) No Approvals. No consent, approval or authorization of or designation, declaration or filing with any governmental authority on the part of the Company is required in connection with the valid execution and delivery of the Transaction Documents.

(g) Commission Documents, Financial Statements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the Commission pursuant to the reporting requirements of the Exchange Act for the two years preceding the date hereof (all of the foregoing including filings incorporated by reference therein being referred to herein as the "Commission Documents"). At the times of their respective filings, the Form 10-Q for the fiscal quarter ended August 31, 2013 (the "Form 10-Q") and the Form 10-K for the fiscal year ended February 28, 2013 (the "Form 10-K"), complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and the Form 10-Q and Form 10-K did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the Commission Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission. Such financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of the Company and its Subsidiaries as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(h) Subsidiaries. Schedule 3(h) hereto sets forth each Subsidiary of the Company, showing the jurisdiction of its incorporation or organization and showing the percentage of each person's ownership of the outstanding stock or other interests of such Subsidiary. For the purposes of this Agreement, "Subsidiary" shall mean any corporation or other entity of which at least a majority of the securities or other ownership interest having ordinary voting power (absolutely or contingently) for the election of directors or other persons performing similar functions are at the time owned directly or indirectly by the Company and/or any of its other Subsidiaries. All of the outstanding shares of capital stock of each Subsidiary have been duly authorized and validly issued, and are fully paid and nonassessable. There are no outstanding preemptive, conversion or other rights, options, warrants or agreements granted or issued by or binding upon any Subsidiary for the purchase or acquisition of any shares of capital stock of any Subsidiary or any other securities convertible into, exchangeable for or evidencing the rights to subscribe for any shares of such capital stock. Neither the Company nor any Subsidiary is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of the capital stock of any Subsidiary or any convertible securities, rights, warrants or options of the type described in the preceding sentence. Neither the Company nor any Subsidiary is party to, nor has any knowledge of, any agreement restricting the voting or transfer of any shares of the capital stock of any Subsidiary.

(i) No Material Adverse Effect. Since February 28, 2013, the Company has not experienced or suffered any Material Adverse Effect.

(j) No Undisclosed Liabilities. Neither the Company nor any of its Subsidiaries has incurred any liabilities, obligations, claims or losses (whether liquidated or unliquidated, secured or unsecured, absolute, accrued, contingent or otherwise) other than those incurred in the ordinary course of the Company's or its Subsidiaries respective businesses or which, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect.

(k) No Undisclosed Events or Circumstances. Since February 28, 2013, no event or circumstance has occurred or exists with respect to the Company or its Subsidiaries or their respective businesses, properties, prospects, operations or financial condition, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed.

(l) Indebtedness. Schedule 3(1) hereto sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or Indebtedness for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" shall mean (a) any liabilities for borrowed money or amounts owed in excess of $100,000 (other than trade accounts payable incurred in the ordinary course of business), (b) all guaranties, endorsements and other contingent obligations in respect of Indebtedness of others, whether or not the same are or should be reflected in the Company's balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (c) the present value of any lease payments in excess of $100,000 due under leases required to be capitalized in accordance with GAAP. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(m) Title to Assets. Each of the Company and the Subsidiaries has good and valid title to all of its real and personal property reflected in the Commission Documents, free and clear of any mortgages, pledges, charges, liens, security interests or other encumbrances, except for those that, individually or in the aggregate, do not cause a Material Adverse Effect. Any leases of the Company and each of its Subsidiaries are valid and subsisting and in full force and effect.

(n) Actions Pending. There is no action, suit, claim, investigation, arbitration, alternate dispute resolution proceeding or other proceeding pending or, to the knowledge of the Company, threatened against the Company or any Subsidiary which questions the validity of this Agreement or any of the other Transaction Documents or any of the transactions contemplated hereby or thereby or any action taken or to be taken pursuant hereto or thereto. There is no action, suit, claim, investigation, arbitration, alternate dispute resolution proceeding or other proceeding pending or, to the knowledge of the Company, threatened against or involving the Company, any Subsidiary or any of their respective properties or assets, which individually or in the aggregate, would reasonably be expected, if adversely determined, to have a Material Adverse Effect. There are no outstanding orders, judgments, injunctions, awards or decrees of any court, arbitrator or governmental or regulatory body against the Company or any Subsidiary or any officers or directors of the Company or Subsidiary in their capacities as such, which individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(o) Compliance with Law. The business of the Company and the Subsidiaries has been and, to the Company's knowledge is, presently being conducted in accordance with all applicable federal, state and local governmental laws, rules, regulations and ordinances, except where, individually or in the aggregate, the noncompliance therewith could not reasonably be expected to have a Material Adverse Effect. The Company and each of its Subsidiaries have all franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals necessary for the conduct of its business as now being conducted by it unless the failure to possess such franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(p) Taxes. The Company and each of the Subsidiaries has accurately prepared and filed all federal, state and other tax returns required by law to be filed by it, has paid or made provisions for the payment of all taxes shown to be due and all additional assessments, and adequate provisions have been and are reflected in the financial statements of the Company and the Subsidiaries for all current taxes and other charges to which the Company or any Subsidiary is subject and which are not currently due and payable. To the knowledge of the Company, none of the federal income tax returns of the Company or any Subsidiary have been audited by the Internal Revenue Service. The Company has no knowledge of any additional assessments, adjustments or contingent tax liability (whether federal or state) of any nature whatsoever, whether pending or threatened against the Company or any Subsidiary for any period, nor of any basis for any such assessment, adjustment or contingency.

(q) Certain Fees. Except as disclosed on Schedule 3(q), the Company has not employed any broker or finder or incurred any liability for any brokerage or investment banking fees, commissions, finders' structuring fees, financial advisory fees or other similar fees in connection with the Transaction Documents.

(r) Disclosure. To the Company's knowledge, neither the representations and warranties contained in this Section 3 or the schedules hereto nor any other documents, certificates or instruments furnished to the Lenders by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by this Agreement contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein or therein, in the light of the circumstances under which they were made herein or therein, not misleading.

(s) Operation of Business. The Company and each of the Subsidiaries owns or possesses the rights to use all patents, trademarks, domain names (whether or not registered) and any patentable improvements or copyrightable derivative works thereof, websites and intellectual property rights relating thereto, service marks, trade names, copyrights, licenses and authorizations which are necessary for the conduct of its business as now conducted and, to the knowledge of the Company, without any conflict with the rights of others except where failure to own such property or possess such rights would not have a Material Adverse Effect.

(t) Environmental Compliance. To the best of the Company's knowledge, the Company and each of its Subsidiaries have obtained all material approvals, authorization, certificates, consents, licenses, orders and permits or other similar authorizations of all governmental authorities, or from any other person, that are required under any Environmental Laws. "Environmental Laws" shall mean all applicable laws relating to the protection of the environment including, without limitation, all requirements pertaining to reporting, licensing, permitting, controlling, investigating or remediating emissions, discharges, releases or threatened releases of hazardous substances, chemical substances, pollutants, contaminants or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of hazardous substances, chemical substances, pollutants, contaminants or toxic substances, material or wastes, whether solid, liquid or gaseous in nature. To the Company's knowledge, the Company has all necessary governmental approvals required under all Environmental Laws as necessary for the Company's business or the business of any of its subsidiaries. Except for such instances as would not individually or in the aggregate have a Material Adverse Effect and to the knowledge of the Company, there are no past or present events, conditions, circumstances, incidents, actions or omissions relating to or in any way affecting the Company or its Subsidiaries that violate or may violate any Environmental Law after the Closing Date or that may give rise to any environmental liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study or investigation (i) under any Environmental Law, or (ii) based on or related to the manufacture, processing, distribution, use, treatment, storage (including without limitation underground storage tanks), disposal, transport or handling, or the emission, discharge, release or threatened release of any hazardous substance.

(u) Books and Records; Internal Accounting Controls. The records and documents of the Company and its Subsidiaries accurately reflect in all material respects the information relating to the business of the Company and the Subsidiaries, the location of their assets, and the nature of all transactions giving rise to the obligations or accounts receivable of the Company or any Subsidiary. The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate actions are taken with respect to any differences.

(v) Securities Act of 1933. Based in material part upon the representations herein of the Lenders, the Company has complied and will comply with all applicable federal and state securities laws in connection with the offer, issuance and sale of the Securities hereunder. Neither the Company nor anyone acting on its behalf, directly or indirectly, has or will sell, offer to sell or solicit offers to buy any of the Securities or similar securities to, or solicit offers with respect thereto from, or enter into any negotiations relating thereto with, any person, or has taken or will take any action so as to bring the issuance and sale of any of the Securities under the registration provisions of the Securities Act and applicable state securities laws. Neither the Company nor any of its affiliates, nor any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of any of the Securities.

(w) Employees. Neither the Company nor any Subsidiary has any collective bargaining arrangements or agreements covering any of its employees. Neither the Company nor any Subsidiary has any employment contract, agreement regarding proprietary information, noncompetition agreement, non-solicitation agreement, confidentiality agreement, or any other similar contract or restrictive covenant, relating to the right of any officer, employee or consultant to be employed or engaged by the Company or such Subsidiary required to be disclosed in the Commission Documents that is not so disclosed. No officer, consultant or key employee of the Company or any Subsidiary whose termination, either individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect, has terminated or, to the knowledge of the Company, has any present intention of terminating his or her employment or engagement with the Company or any Subsidiary.

4. Representations and Warranties by Lender. Each Lender represents and warrants severally and not jointly, to the Company as of the time of issuance of the May 2014 Note and Warrants as follows:

(a) Organization and Standing. If Lender is an entity, Lender is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite corporate or other entity power and authority to carry on its business as now conducted and proposed to be conducted. If Lender is an entity, the address of its principal place of business is as set forth on the signature page hereto, and if Lender is an individual, the address of its principal residence is as set forth on the signature page hereto.

(b) Power. If Lender is an entity, Lender has all requisite legal and corporate or other entity power and authority to enter into, execute and deliver each of the Transaction Documents to which it is a party. Each Transaction Document to which Lender is a party has been duly and validly authorized, executed and delivered by Lender is the valid and binding obligation of Lender, enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, moratorium, and other laws of general application affecting the enforcement of creditors' rights.

(c) Authorization. If Lender is an entity, all corporate or other entity and legal action on the part of Lender, its officers, directors, managers, shareholders, partners, or members, as applicable, necessary for the execution and delivery of the Transaction Documents to which it is a party, the purchase of the May 2014 Note and the performance of Lender's obligations such Transaction Documents have been taken.

(d) No Conflict; Required Filings and Consents. Neither the execution and delivery of this Agreement or the other Transaction Documents by Lender nor the performance by Lender of its obligations hereunder will: (i) if Lender is an entity, conflict with Lender's Articles or Bylaws, or other similar organizational documents; (ii) violate any statute, law, ordinance, rule or regulation, applicable to Lender or any of the properties or assets of Lender; or (iii) violate, breach, be in conflict with or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or permit the termination of any provision of, or result in the termination of, the acceleration of the maturity of, or the acceleration of the performance of any obligation of Lender under, or result in the creation or imposition of any lien upon any properties, assets or business of Lender under, any material contract or any order, judgment or decree to which Lender is a party or by which it or any of its assets or properties is bound or encumbered except, in the case of clauses (ii) and (iii), for such violations, breaches, conflicts, defaults or other occurrences which, individually or in the aggregate, would not have a material adverse effect on its ability to perform its obligations under the Transaction Documents.

(e) Acquisition for Investment. The Lender is purchasing the Securities solely for its own account for the purpose of investment and not with a view to or for sale in connection with distribution. The Lender does not have a present intention to sell any of the Securities, nor a present arrangement (whether or not legally binding) or intention to effect any distribution of any of the Securities to or through any person or entity; provided, however, that by making the representations herein, such Lender does not agree to hold the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with Federal and state securities laws applicable to such disposition. The Lender acknowledges that it (i) has such knowledge and experience in financial and business matters such that Lender is capable of evaluating the merits and risks of Lender's investment in the Company, (ii) is able to bear the financial risks associated with an investment in the Securities, (iii) has been given full access to such records of the Company and to the officers of the Company as it has deemed necessary or appropriate to conduct its due diligence investigation, and (iv) has had the opportunity to ask representatives of the Company certain questions and request certain additional information regarding the finances, operations, business and prospects of the Company and has had any and all such questions and requests answered to its satisfaction.

(f) Rule 144. The Lender understands that the Securities are "restricted securities" as defined in Rule 144, and must be held indefinitely unless such Securities are registered under the Securities Act or an exemption from registration is available. The Lender acknowledges that such person is familiar with Rule 144 of the rules and regulations of the Commission, as amended, promulgated pursuant to the Securities Act ("Rule 144"), and that such Lender has been advised that Rule 144 permits resales only under certain circumstances. The Lender understands that to the extent that Rule 144 is not available, such Lender will be unable to sell any Securities without either registration under the Securities Act or the existence of another exemption from such registration requirement.

(g) No General Solicitation. The Lender acknowledges that the Securities were not offered to such Lender by means of any form of general or public solicitation or general advertising, or publicly disseminated advertisements or sales literature, including (i) any advertisement, article, notice or other communication published in any newspaper, magazine, or similar media, or broadcast over television, radio or the interne, or (ii) any seminar or meeting to which such Lender was invited by any of the foregoing means of communications. The Lender, in making the decision to purchase the Securities, has relied upon independent investigation made by it and has not relied on any information or representations made by third parties.

(h) Accredited Investor. The Lender is an "accredited investor" as such term is defined in Rule 501 of Regulation D under the Securities Act and as set forth in Exhibit D attached hereto and made a part hereof, and such Lender has such experience in business and financial matters that it is capable of evaluating the merits and risks of an investment in the Securities. Such Lender is not required to be registered as a broker-dealer under Section 15 of the Exchange Act and such Lender is not a broker-dealer. The Lender acknowledges that an investment in the Securities is speculative and involves a high degree of risk.

5. Conditions Precedent to the Obligation of the Company to Close and to Sell the Securities. The obligation hereunder of the Company to close and issue and sell the Securities to the Lenders at the Closing is subject to the satisfaction or waiver, at or before the Closing of the conditions set forth below. These conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion.

(a) Accuracy of the Lenders' Representations and Warranties. The representations and warranties of each Lender shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the date when made and as of the Closing Date as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of such date.

(b) Performance by the Lenders. Each Lender shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Lenders at or prior to the Closing Date.

(c) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

(d) Delivery of Purchase Price. The Purchase Price for the Securities shall have been delivered to the Company on the Closing Date.

(e) Delivery of Transaction Documents. The Transaction Documents shall have been duly executed and delivered by the Lenders to the Company.

6. Conditions Precedent to the Obligation of the Lenders to Close and to Purchase the Securities. The obligation hereunder of the Lenders to purchase the Securities and consummate the transactions contemplated by this Agreement is subject to the satisfaction or waiver, at or before the Closing, of each of the conditions set forth below. These conditions are for the Lenders' sole benefit and may be waived by the Lenders at any time in their sole discretion.

(a) Accuracy of the Company's Representations and Warranties. Each of the representations and warranties of the Company in this Agreement and the other Transaction Documents shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the date when made and as of the Closing Date as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of such date.

(b) Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date.

(c) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

(d) No Proceedings or Litigation. No action, suit or proceeding before any arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been threatened, against the Company or any Subsidiary, or any of the officers, directors or affiliates of the Company or any Subsidiary seeking to restrain, prevent or change the transactions contemplated by this Agreement, or seeking damages in connection with such transactions.

(e) May 2014 Notes. At or prior to the Closing Date, the Company shall have delivered to the Lenders the May 2014 Notes (in such denominations as each Lender may request).

(f) Material Adverse Effect. No Material Adverse Effect shall have occurred at or before the Closing Date.

(g) Delivery of Transaction Documents. The Transaction Documents shall have been duly executed and delivered by the Company to the Lenders.

7. Covenants. The Company covenants with each Lender as follows, which covenants are for the benefit of each Lender and their respective permitted assignees.

(a) Securities Compliance. The Company shall notify the Commission in accordance with its rules and regulations, of the transactions contemplated by any of the Transaction Documents and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Securities to the Lenders, or their respective subsequent holders.

(b) Compliance with Laws. The Company shall comply, and cause each Subsidiary to comply, with all applicable laws, rules, regulations and orders, noncompliance with which would be reasonably likely to have a Material Adverse Effect.

(c) Keeping of Records and Books of Account. The Company shall keep and cause each Subsidiary to keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Company and its Subsidiaries, and in which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection with its business shall be made.

(d) Reporting Status. So long as a Lender beneficially owns any of the Securities, the Company shall timely file all reports required to be filed with the Commission pursuant to the Exchange Act, and the Company shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would permit such termination.

(e) Disclosure of Transaction. The Company shall file with the Commission a Current Report on Form 8-K (the "Form 8-K") describing the material terms of the transactions contemplated hereby (and attaching as exhibits thereto this Agreement, the form of May 2014 Note and any press release) as soon as practicable following the Closing Date but in no event more than four (4) Trading Days following the Closing Date. "Trading Day" means any day during which the principal exchange on which the Common Stock is traded shall be open for trading.

8. Indemnification.

(a) General Indemnity. The Company agrees to indemnify and hold harmless the Lenders (and their respective directors, officers, affiliates, agents, successors and assigns) from and against any and all losses, liabilities, deficiencies, costs, damages and expenses (including, without limitation, reasonable attorneys' fees, charges and disbursements) incurred by the Lenders as a result of any inaccuracy in or breach of the representations, warranties or covenants made by the Company herein. Each Lender severally but not jointly agrees to indemnify and hold harmless the Company and its directors, officers, affiliates, agents, successors and assigns from and against any and all losses, liabilities, deficiencies, costs, damages and expenses (including, without limitation, reasonable attorneys' fees, charges and disbursements) incurred by the Company as result of any inaccuracy in or breach of the representations, warranties or covenants made by such Lender herein. The maximum aggregate liability of each Lender pursuant to its indemnification obligations under this Section 8 shall not exceed the portion of the Purchase Price paid by such Lender hereunder and the maximum aggregate liability of the Company pursuant to its indemnification obligations under this Section 8 shall not exceed the aggregate Purchase Price received by the Company hereunder.

(b) Indemnification Procedure. Any party entitled to indemnification under this Section 8 (an "indemnified party") will give written notice to the indemnifying party of any matters giving rise to a claim for indemnification; provided, that the failure of any party entitled to indemnification hereunder to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Section 8 except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any action, proceeding or claim is brought against an indemnified party in respect of which indemnification is sought hereunder, the indemnifying party shall be entitled to participate in and, unless in the reasonable judgment of the indemnified party a conflict of interest between it and the indemnifying party may exist with respect of such action, proceeding or claim, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. In the event that the indemnifying party advises an indemnified party that it will contest such a claim for indemnification hereunder, or fails, within thirty (30) days of receipt of any indemnification notice to notify, in writing, such person of its election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defense at any time after it commences such defense), then the indemnified party may, at its option, defend, settle or otherwise compromise or pay such action or claim. In any event, unless and until the indemnifying party elects in writing to assume and does so assume the defense of any such claim, proceeding or action, the indemnified party's costs and expenses arising out of the defense, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder. The indemnified party shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the indemnified party, which relates to such action or claim. The indemnifying party shall keep the indemnified party fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. If the indemnifying party elects to defend any such action or claim, then the indemnified party shall be entitled to participate in such defense with counsel of its choice at its sole cost and expense. The indemnifying party shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent. Notwithstanding anything in this Section 8 to the contrary, the indemnifying party shall not, without the indemnified party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof which imposes any future obligation on the indemnified party or which does not include, as an unconditional term thereof, the giving by the claimant or the plaintiff to the indemnified party of a release from all liability in respect of such claim. The indemnification required by this Section 8 shall be made by periodic payments of the amount thereof during the course of investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred, so long as the indemnified party irrevocably agrees to refund such moneys if it is ultimately determined by a court of competent jurisdiction that such party was not entitled to indemnification. The indemnity agreements contained herein shall be in addition to (a) any cause of action or similar rights of the indemnified party against the indemnifying party or others, and (b) any liabilities the indemnifying party may be subject to pursuant to the law.

9. Participation Right. The Company currently anticipates an equity or equity based financing or a series of equity financings following the date of this Agreement resulting in gross proceeds to the Company totaling at least $5,000,000 (inclusive of the May 2014 Notes, the Additional 2014 Notes, the 2014 Notes and the 2013 Notes (each as defined in the May 2014 Note)) (a "Qualified Financing"). Each Lender shall have the right, but not the obligation, to participate in the Qualified Financing up to an amount equal to the product obtained by multiplying (A) the Purchase Price set forth opposite such Lender's name on the signature page attached hereto by (B) 1.15, on the terms and conditions of such Qualified Financing (the "Participation Right"). In connection with each Participation Right, the Company shall provide written notice to each Lender of the terms and conditions of the Qualified Financing at least ten business days prior to the anticipated first closing of such Qualified Financing ("QF Notice"). Each Lender electing to exercise its Participation Right shall notify the Company, in writing, of such election at least two business days prior to the anticipated closing date set forth in the QF Notice ("Participation Notice"). In the event the Lender does not return a Participation Notice to the Company within such two business day period, the Participation Right granted hereunder shall terminate and be of no further force and effect; provided that, such Participation Right shall be reinstated if the anticipated closing referenced in the QF Notice does not occur prior to ten business days following the anticipated first Closing Date specified in such QF notice or if such first closing results in gross proceeds to the Company of less than $5,000,000 (inclusive of any May 2014 Notes, the Additional 2014 Notes, the 2014 Notes and the 2013 Notes exchanged in connection therewith).

10. Miscellaneous.

(a) Fees and Expenses. Each party shall pay the fees and expenses of its advisors, counsel, accountants and other experts, if any, and all other expenses, incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement.

(b) Confidentiality; Non-Public Information. Lender acknowledges and agrees that that the existence of this Agreement and the information contained herein and in the other Transaction Documents is of a confidential nature and shall not, without the prior written consent of the Company, be disclosed by Lender to any person or entity, other than Lender's personal financial and legal advisors for the sole purpose of evaluating an investment in the Company, and that it shall not, without the prior written consent of the Company, directly or indirectly, make any statements, public announcements or release to trade publications or the press with respect to the subject matter of this Agreement or the May 2014 Notes. **Lender further acknowledges and agrees that the information contained herein and in the other documents relating to this transaction may be regarded as material non-public information under United States federal securities laws, and that United States federal securities laws prohibit any person who has received material non-public information relating to the Company from purchasing or selling securities of the Company, or from communicating such information to any person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell securities of the Company. Accordingly, until such time as any such non-public information has been adequately disseminated to the public, Lender shall not purchase or sell any securities of the Company, or communicate such information to any other person.**

(c) Governing Law. This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law principles, which would result in the application of the substantive law of another jurisdiction. This Agreement shall not be interpreted or construed with any presumption against the party causing this Agreement to be drafted.

(d) Consent to Jurisdiction; Venue.

The parties agree that venue for any dispute arising under this Agreement will lie exclusively in the state or federal courts located in New York, New York, and the parties irrevocably waive any right to raise *forum non conveniens* or any other argument that New York is not the proper venue. The parties irrevocably consent to personal jurisdiction in the state and federal courts of the state of New York. The Company and each Lender consent to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 10(d) shall affect or limit any right to serve process in any other manner permitted by law. The Company and the Lenders hereby agree that the prevailing party in any suit, action or proceeding arising out of or relating to the Securities, this Agreement or the other Transaction Documents, shall be entitled to reimbursement for reasonable legal fees from the non-prevailing party. The parties hereby waive all rights to a trial by jury.

(e) Entire Agreement. This Agreement together with the exhibits attached hereto constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof and thereof.

(f) Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be hand delivered or sent via facsimile, overnight courier service or mailed by certified or registered mail, postage prepaid, return receipt requested, addressed or sent to the addresses listed on the signature page hereto or at such other addresses as the parties shall have furnished to each other in writing. Notices sent via hand delivery shall be effective when received, notices sent facsimile shall be effective upon written confirmation of transmission (if also sent by another form of notice permitted hereunder within 24 hours of sending the facsimile), notices sent by overnight courier shall be effective upon receipt, and notices mailed by certified or registered mail, postage prepaid return receipt requested, shall be effective five business days after deposit with the U.S. Postal Service.

(g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. After the Closing, the assignment by a party to this Agreement of any rights hereunder shall not affect the obligations of such party under this Agreement. The Lenders may assign the Securities and its rights under this Agreement and the other Transaction Documents and any other rights hereto and thereto without the consent of the Company.

(h) No Third Party Beneficiaries. Except as contemplated by Section 8 hereof, this Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

(i) Validity. If any provision of this Agreement or the May 2014 Note shall be judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument. Execution of this document by facsimile transmission (including, without limitation, the delivery of documents in Adobe PDF or other electronif form) shall constitute execution and delivery of this document for all purposes, with the same force and effect as execution and delivery of an original manually signed copy hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this May 2014 Convertible Note and Warrant Purchase Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date and year first written above.

ADDRESS:

MetaStat, Inc.
1410 Broadway, 23rd Floor
New York, NY 10018
Attention: Chief Executive Officer
Office: (212) 796-8170
Fax: (646) 304-7086

METASTAT, INC.:

By: _____
Name: Oscar L. Bronsther, M.D.
Title: Chief Executive Officer

ADDRESS:

LENDER:

By: _____
Name:
Title:

Principal Amount of May 2014 Note Purchased: $_____

Number of Warrant Shares (Principal Amount of May 2014 Note Purchased multiplied by 50% and divided by $1.50): _____

EXHIBIT A

FORM OF NOTE

EXHIBIT B

FORM OF WARRANT

EXHIBIT C

WIRE INSTRUCTIONS

EXHIBIT D
ACCREDITED INVESTOR QUESTIONNAIRE

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Oscar L. Bronsther, certify that:

1. I have reviewed this annual report on Form 10-K of MetaStat, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchanged Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Oscar L. Bronsther
Oscar L. Bronsther M.D., F.A.C.S.
Chief Executive Officer and Chief Medical Officer
(Principal Executive Officer)

June 13, 2014

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Warren C. Lau, certify that:

1. I have reviewed this annual report on Form 10-K of MetaStat, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect our ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Warren C. Lau
Warren C. Lau
President and Chief Financial Officer
(Principal Financial Officer)

June 13, 2014

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of MetaStat, Inc. (the "Company") on Form 10-K for the period ended February 28, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Oscar L. Bronsther, the Chief Executive Officer and Chief Medical Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Oscar L. Bronsther
Oscar L. Bronsther M.D., F.A.C.S.
Chief Executive Officer and Chief Medical Officer
(Principal Executive Officer)

June 13, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of MetaStat, Inc. (the "Company") on Form 10-K for the period ended February 28, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren C. Lau, the President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Warren C. Lau
Warren C. Lau
President and Chief Financial Officer
(Principal Financial Officer)

June 13, 2014