Hemostemix Inc.

Interim Condensed Consolidated Financial Statements

3 Month Periods Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS
For the three months ended March 31, 2018 and 2017

The accompanying unaudited interim financial statements of the Company for the period ending March 31, 2018 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements.

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For the three months ended March 31, 2018 and 2017

Hemostemix Inc.

Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	March 31, 2018	December 31, 2017
Assets		
Current		
Cash and cash equivalents	**$ 4,937,457**	$ 3,958,703
Short term investments	**-**	1,254,659
HST receivable	**37,501**	27,085
Other receivables and prepaid expenses	**33,152**	62,041
	5,008,110	5,302,488
Intangible assets, net *(note 4)*	**1**	1
	$ 5,008,111	$ 5,302,489
Liabilities		
Current		
Accounts payable and accrued expenses *(notes 10)*	**$ 866,811**	$ 464,792
Shareholders' Equity (Deficiency)		
Share capital *(note 6)*	**30,741,184**	30,741,184
Warrants *(note 7)*	**3,227,777**	3,227,777
Contributed surplus	**1,672,154**	1,284,758
Deficit	**(31,499,815)**	(30,416,022)
	4,141,300	4,837,697
	$ 5,008,111	$ 5,302,489

Going concern *(note 1)*
Commitments *(note 9)*
Subsequent events *(note 13)*

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

Approved by the Board:

Signed: ***"David Wood"***

Director, David Wood

Signed: ***"Angus Jenkins"***

Director, Angus Jenkins

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian Dollars, except per share and number of shares amounts)
(Unaudited)

	Three months March 31, 2018	Three months March 31, 2017 (Note 3)
	$	$
Expenses		
Research and development expenses	**258,862**	7,162
Consultant and management fees *(note 10)*	**396,273**	166,672
Stock compensation expense *(note 8)*	**387,396**	-
Lease and office maintenance	**43,786**	19,595
Professional fees	**107,836**	56,005
Travel expenses	**7,872**	-
Accretion expense *(note 5b,c)*	**-**	100,920
Foreign exchange (gain) loss	**(106,980)**	(7,582)
Interest expense (income)	**(14,448)**	15,888
Net loss from continuing operations for the period	**(1,080,597)**	(358,660)
Loss from discontinued operations, net of income taxes *(note 3)*	**(3,196)**	(190,099)
Net loss and comprehensive loss for the period	**(1,083,793)**	(548,759)

Net Loss per share		
Basic and diluted from continuing operations	**(0.00)**	(0.01)
Basic and diluted from discontinued operations	**(0.00)**	(0.00)
Weighted average number of shares - basic and diluted	**296,874,720**	73,758,953

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

Consolidated Statements of Changes in Equity (Deficiency)
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian Dollars, except for number of shares)
(Unaudited)

	Number of Shares	Share Capital $	Warrants $	Contributed Surplus $	Equity Portion of Debt $	Deficit $	Total $
Balance, December 31, 2016	**67,858,119**	**22,097,981**	**-**	**848,697**	**72,207**	**(26,481,111)**	**(3,462,226)**
Conversion of demand notes payable *[note 6a]*	2,500,000	412,500	-	-	-	-	412,500
Conversion of promissory notes payable *[note 6a]*	4,025,000	716,207	-	-	(72,207)	-	644,000
Shares issued pursuant to Right of First Refusal *[note 6a]*	200,000	-	-	-	-	-	-
Net loss and comprehensive loss for the period						(548,759)	(548,759)
Balance, March 31, 2017	**74,583,119**	**23,226,688**		**848,697**	**-**	**(27,029,870)**	**(2,954,485)**
Issuance of convertible secured debt facilities *[note 6d]*	-	-	-	-	166,845	-	166,845
Shares issued pursuant to Private Placement *[note 6b]*	106,151,700	5,307,585		-	-	-	5,307,585
Shares issued pursuant to Rights Offering *[note 6c]*	21,275,015	1,063,751	-	-	-	-	1,063,751
Shares issued for Secured Credit *[note 8a and 6d]*	88,000,000	4,566,845	-	-	(166,845)	-	4,400,000
Warrants issued pursuant to Private Placement, Rights Offering and Secured Credit transaction *[note 6e]*	-	(3,227,777)	3,227,777	-	-	-	-
Shares issued for debt *[note 6f]*	6,664,886	866,435	-	-	-	-	866,435
Share options issued *[note 8]*	-	-	-	454,261	-	-	454,261
Exercise of share options *[note 6g]*	200,000	38,200	-	(18,200)	-	-	20,000
Share issue costs *[note 6h]*	-	(1,100,543)	-	-	-	-	(1,100,543)
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,386,152)	(3,386,152)
Balance, December 31, 2017	**296,874,720**	**30,741,184**	**3,227,777**	**1,284,758**	**-**	**(30,416,022)**	**4,837,697**
Stock based compensation *[note 8]*	-	-		387,396	-		387,396
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,083,793)	(1,083,793)
Balance, March 31, 2018	**296,874,720**	**30,741,184**	**3,227,777**	**1,672,154**	**-**	**(31,499,815)**	**4,141,300**

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

Consolidated Statements of Cash Flows
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	Three months March 31, 2018	Three months March 31, 2017 (note 3)
	$	$
Cash flow from operating activities		
Net loss from continuing operations	**(1,080,597)**	(358,660)
Items not affecting cash:		
Stock compensation expense	**387,396**	-
Accretion expense *(note 5b,c)*	**-**	100,920
Change in non-cash working capital items:		
Reallocation of short term investments with less than 3 months to maturity to cash and cash equivalents	**1,254,659**	-
Other receivables and prepaid expenses	**28,889**	(9,686)
HST receivable	**(10,416)**	4,800
Accounts payable and accrued expenses	**402,019**	(171,954)
Income taxes payable	**-**	(4,805)
Cash flow from continuing operations	**981,949**	(439,385)
Cash flow from discontinued operations *(note 3)*	**(3,196)**	(180,099)
	978,754	(619,484)
Cash flow from financing activities		
Proceeds from issuance of demand loan	-	750,000
Shares issued pursuant to right of first refusal	-	40,000
	-	790,000
Increase in cash and cash equivalents	**978,754**	170,516
Cash and cash equivalents, beginning of period	**3,958,703**	34,834
Cash and cash equivalents, end of period	**4,937,457**	205,350

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

1. Nature of the Company and Going Concern

Hemostemix Inc. ("Hemostemix" or "the Company") is a biotechnology company whose principal business is to develop, manufacture and commercialize blood-derived cell therapies for medical conditions not adequately addressed by current treatments. Hemostemix Inc., an entity under the Business Corporations Act (Alberta) was formed in November 2014. The Company's head office is located at 1049, 150 – 9th Ave SW Calgary, AB T2P 3H9.

Hemostemix Inc. has two wholly-owned subsidiaries. Kwalata Trading Ltd., incorporated under the laws of Cyprus, was established to own intellectual property ("IP"). Hemostemix Ltd, another wholly-owned subsidiary was incorporated under the laws of Israel to conduct manufacturing and perform research and development. Effective October 1, 2017, Hemostemix Ltd. ceased operations [see note 3].

The Company incurred a net loss of $1,083,793 for the three months ended March 31, 2018 (March 31, 2017 - $548,759) and had accumulated deficit as of March 31, 2018, of $31,499,815 (December 31, 2017 - $30,416,022). The Company's biotechnology is in an early stage of the development of its main product ACP-01. As a result, the Company has not produced revenue nor achieved operational profitability and positive cash flows.

These conditions raise significant doubt about the Company's ability to continue operating as a going concern. The consolidated financial statements do not include any adjustments to reflect any events since March 31, 2018 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this uncertainty.

During 2017, the Company completed several transactions to raise additional capital and restructure its debt (see notes 5, 6 and 7). The Company's ability to continue to operate is dependent upon continuing financial support.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on May 28, 2018.

2. Summary of Significant Accounting Policies

The Company's principal accounting policies were outlined in the Company's annual audited consolidated financial statements for the year ended December 31, 2017 and have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2017. We have consistently applied the same accounting policies for all periods presented in these interim consolidated financial statements as those used in our audited consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018.

Statement of compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards including 34, "Interim Financial Reporting" ("IAS 34"). The notes presented in these unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since our last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited financial statements.

Basis of presentation

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Kwalata Trading Ltd. and Hemostemix Ltd. The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is determined when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Effective October 1, 2017, Hemostemix Ltd. ceased operations in Israel and moved its clinical trial activities to North America. The operating results of its activities in Israel have been presented as a discontinued operation.

These consolidated financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by the Company and all subsidiaries. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

2. Summary of Significant Accounting Policies - continued

Changes in Accounting Policies and Disclosure
Except as noted below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

(a) Changes in Accounting Policies and Disclosure

IFRS 15 – Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2018 and provides new requirements for recognizing revenue. IFRS 15's core principle is for a company to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 sets out enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. As the Company is not currently earning revenue there is no impact on its financial reporting.

IFRS 9 – Financial Instruments was issued by the IASB to establish principles for the financial reporting of financial assets and liabilities, including requirements to present certain information relating to the amounts, timing, and uncertainty of the entity's future cash flows. We have applied IFRS 9 retrospectively, with the initial application date of January 1, 2018. There were no changes to the measurement of our financial assets and liabilities or adjustments to comparative information as a result of the adoption of IFRS 9.

(b) Financial Instruments

Classification and measurement

Financial Assets
At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

2. Summary of Significant Accounting Policies - continued

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or less. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

Our financial assets include cash and cash equivalents, short term investments, and other receivables. The classification and measurement of these financial assets are at amortized cost, as these assets are held within our business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'solely payments of principal and interest' ("SPPI") criterion.

Financial liabilities
Financial liabilities are initially measured at fair value and are subsequently measured at amortised cost. The accounting for our financial liabilities remained the same as it was under IAS 39.

Impairment
Under IFRS 9, accounting for impairment losses for financial assets uses a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires that we record a loss allowance for ECLs on all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

There were no adjustments in impairment allowances of our financial assets as a result of the adoption of the ECL requirements of IFRS 9.

2. Summary of Significant Accounting Policies - continued

Standards issued and not yet adopted

The following are not expected to be adopted prior to their effective dates and are being evaluated to determine their impact on the Company.

IFRS 16 -Leases

IFRS 16 - Leases sets out a new model for lease accounting, replacing IAS 17. IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. IFRS 16 specifies how a reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Early adoption will be permitted, provided the Company has adopted IFRS 15. The Company intends to adopt the new standard on its effective date and has yet to consider the impact on its financial reporting.

(Expressed in Canadian dollars)

3. Discontinued Operations

On October 1, 2017, the Company ceased its operations in Israel and moved its manufacturing and research and development activities to North America. The operating results of its activities in Israel for the comparative period have been presented as a discontinued operation.

The following table summarizes the Israel activities as classified as discontinued operations for the three months ended March 31, 2018 and 2017:

	March 31, 2018 $	March 31, 2017 $
Operating expenses	**3,196**	176,360
Depreciation	**-**	10,000
Loss from discontinued operations before income tax expense	**3,196**	186,360
Income tax expense	**-**	3,739
Loss from discontinued operations, net of tax	**(3,196)**	(190,099)

The Israel operations had current assets of $4,809 as at March 31, 2018 (December 31, 2017 - $20,238) and current liabilities of $506 as at March 31, 2018 (December 31, 2017 - $11,727).

The following table summarizes the net cash flow attributable to the discontinued operations for the three months ended March 31, 2018 and 2017:

	March 31, 2018 $	March 31, 2017 $
Net loss	**(3,196)**	(190,099)
Items not affecting cash:		
Depreciation expense	**-**	10,000
Cash flows from operating activities	**(3,196)**	(180,099)

4. Intangible Assets

Proprietary Protection **-** The Company's intellectual property is protected by several issued patents grouped together in five patent families, which currently have a carrying value of $1 (2017 - $1). Additional provisional patent applications have been filed and patents continue to be pursued in additional jurisdictions**;** however, the Company has determined that none of these costs meet their criteria for deferral (2017 - $Nil).

The five patent families are:

Family Patent	Status	Title
1	Granted in several countries including in the US Pending in Canada	In vitro techniques for use with stem cells
2	Granted in Canada and Singapore Pending in several countries, to be filed in US	Production from blood of cells of neural lineage
3	Granted in Singapore Pending in Canada, Europe and US	Regulating stem cells
4	Granted in several counties including the US and Canada Pending in Europe	Regulating stem cells
5	Granted Mexico, Singapore	Automated cell therapy

(Expressed in Canadian dollars)

5. Loans and Borrowings

(a) **Secured Credit Facility:**

On January 25, 2017, the Company secured a demand loan agreement providing initially for $750,000 in funding at an annual rate of 12%. This facility was subsequently increased and advances totaling $1,250,000 were made to the Company.

On September 15, 2017, pursuant to a secured credit transaction, the Company issued 88,000,000 common shares at a price of $0.05 for $4,400,000. As part of this transaction, the advances of $1,250,000 were considered repaid *[see note 6d]*.

(b) **Convertible promissory notes payable consists of the following:**

		March 31 2018		December 31 2017
Face value of convertible promissory notes upon issuance	$	**-**	$	644,000
Less: discount		**-**		(98,237)
Book value of convertible promissory notes on initial recognition		**-**		545,763
Accumulated accretion expense		**-**		98,237
		-		644,000
Conversion of notes payable into common shares		**-**		(644,000)
Balance at end of period	**$**	**-**	$	-

In 2016, the Company closed a private placement offering for gross proceeds of $1,644,000. The private placement included a $1,000,000 secured convertible debenture and $644,000 convertible promissory notes payable, including $464,000 advanced from insiders of the Company.

On January 25, 2017, the Company converted $644,000 of these promissory notes at $0.16 per share resulting in the issuance of 4,025,000 Shares *[see note 6a]*. Accretion expense during the three months ended March 31, 2018 was $Nil (March 31, 2017 - $65,492).

(Expressed in Canadian dollars)

5. Loans and Borrowings - continued

(c) **Convertible debenture payable consists of the following:**

	March 31, 2018	December 31, 2017
Face value of convertible debenture upon issuance	**$ -**	$ 1,000,000
Less: Fair value of derivative liability	**-**	(729,035)
Book value of convertible debenture on initial recognition	**-**	270,965
Accumulated accretion expense	**-**	729,035
	-	1,000,000
Extinguishment of convertible debenture payable	**-**	(1,000,000)
Balance end of period	$ -	$ -

In 2016, the Company received proceeds of $1,000,000 from the issuance of a convertible debenture. The debenture was non-interest bearing and due on September 2, 2019. The debenture was convertible into units of the Company at a conversion price of $0.16 per unit. The conversion feature was recorded as a derivative liability, as the exercise price could be adjusted upon the issuance or deemed issuance of additional common shares at a price less than the conversion price contained in the convertible debenture.

The fair value of the derivative liability upon issuance was $729,035 and the residual value of $270,965 was allocated to the convertible debenture payable. Accretion expense for the three months ended March 31, 2017 was $35,428. As the debenture was extinguished in 2017, there was no accretion expense for the three months ended March 31, 2018.

On May 4, 2017, the Company entered into a convertible secured debt agreement to provide facilities up to $4,400,000. As a result, the previous $1,000,000 convertible debenture was extinguished and included in the new facility. The $4,400,000 convertible secured debt facilities bore interest at 12% per annum and were set to mature on May 4, 2018. On September 15, 2017, the convertible secured debt facilities were converted into units at $0.05 per unit as part of the secured credit transaction *[see note 6d]*.

(Expressed in Canadian dollars)

6. Share Capital

The Company is authorized to issue an unlimited number of shares designated as Common Shares and an unlimited number of shares designated as Preferred Shares.

Common Shares

	Number of Shares #	**Amount $**
Balance, December 31, 2016	**67,858,119**	**22,097,981**
Conversion of demand notes payable (a)	2,500,000	412,500
Conversion of promissory notes payable (a)	4,025,000	716,207
Shares issued pursuant to ROFR agreement (a)	200,000	-
Balance, March 31, 2017	**74,583,119**	**23,226,688**
Shares issued pursuant to private placements (b)	106,151,700	5,307,585
Shares issued pursuant to rights offering (c)	21,275,015	1,063,751
Shares issued pursuant to secured credit transaction (d)	88,000,000	4,566,845
Value of warrants issued on private placements, Rights offering and secured credit transaction (e)	-	(3,227,777)
Shares issued for debt (f)	6,664,886	866,435
Share options exercised (g)	200,000	38,200
Share issue costs (h)	-	(1,100,543)
Balance, December 31, 2017	**296,874,720**	**30,741,184**
No transactions for the 3-month period ended March 31, 2018	-	-
Balance, March 31, 2018	**296,874,720**	**30,741,184**

6. Share Capital - continued

(a) On January 25, 2017, the Company converted $1,184,000 in debt through the issuance of 6,725,000 shares of the Company. The debt conversions included (a) $644,000 in promissory notes converted at $0.16 per share resulting in the issuance of 4,025,000 Shares, (b) $500,000 of demand loans at $0.20 per share resulting in the issuance of 2,500,000 Shares and a gain on settlement of debt of $87,500, and (c) $40,000 owed pursuant to a Right of First Refusal Waiver Agreement resulting in a further issuance of 200,000 common shares which have been treated as share issuance costs.

On conversion of $644,000 in promissory notes, the equity component of the loan representing the residual value of $98,237 net of deferred tax recovery of $26,030, or $72,207 was transferred to share capital from equity portion of convertible debenture within equity.

(b) On September 15, 2017, as part of a brokered private placement the Company converted all Subscription Receipts (initially issued on August 25, 2017) and issued 102,882,800 units at $0.05 per unit for gross proceeds of $5,144,140, and as part of a non-brokered private placement issued 3,268,900 units at $0.05 per unit for gross proceeds of $163,445, amounting to total shares issued of 106,151,700 and for total gross proceeds of $5,307,585. Each unit consisted of one common share and one-half common share purchase warrant, with each whole warrant exercisable for a period of 24 months with an exercise price of $0.20 per common share.

(c) On September 15, 2017 in connection with a Rights offering, the Company converted all Subscriptions Receipts (initially issued on August 25, 2017) and raised gross proceeds of $1,063,751 through the issuance of 21,275,015 units at $0.05. Each unit consisted of one common shares and one-half common share purchase warrant, with each whole warrant exercisable for a period of 24 months with an exercise price of $0.20 per common share.

In connection with the brokered private placement and the Rights offering respectively, the Company paid a cash marketing commission of $370,148, as well as a corporate finance fee of $31,500.

(d) On September 15, 2017 the Company completed a secured credit transaction consisting of converting its senior secured debt into equity. Pursuant to this transaction, 88,000,000 units were issued at $0.05 for $4,400,000. Each unit consisted of one common share and one-half common share purchase warrant, with each whole warrant exercisable for a period of 24 months with an exercise price of $0.20 per common share. The secured credit transaction of $4,566,845 is comprised of the following amounts:

- $1,250,000 advances under the secured credit facility.
- $1,000,000 secured debenture.
- $596,315 of share issuance costs paid directly by the secured creditor.
- $172,390 of net interest owing on secured credit facility.
- $1,020,905 legal and professional fees paid directly by the secured creditor.
- $219,586 of trade accounts payable and associated HST and GST.

6. Share Capital - continued

- $140,804 of subscriptions receivable relating to the private placements.
- $166,845 representing the value of the conversion feature of the secured debt facilities which was transferred to share capital from equity portion of convertible debenture.

(e) The Company issued a total of 107,713,357 share purchase warrants, consisting of 51,441,400 pursuant to the brokered private placement, 1,634,450 pursuant to the non-brokered private placement, 10,637,507 pursuant to the Rights offering and 44,000,000 pursuant to the secured credit transaction. No warrants were issued pursuant to the shares for debt transactions. In addition, in connection with the brokered private placement and the rights offering respectively, the Company issued 7,879,961 agent warrants. *[see note 7]*

A reduction to share capital of $2,329,461 for investor warrants and $898,316 for agent warrants totalling $3,227,777 was made to account for the original Black-Scholes value of these warrants with a corresponding credit to warrants for the same amount. The fair value was calculated using the Black-Scholes model with the following assumptions: expected dividend yield of 0%, expected volatility of 145%, risk-free interest rate of 1.81% and an average expected life of 2 to 3 years.

(f) On September 15, 2017, the Company completed a series of shares for debt transactions with certain of the Company's unsecured creditors by issuing common shares of the Company to such creditors for full satisfaction of trade payables and other debts payable. The Company issued 5,540,000 common shares at $0.05 per share, and 1,124,886 common shares at $0.08 per share, amounting to 6,664,886 common shares for the satisfaction of a total of $366,991 in debt.

The fair value of the equity on the date of conversion of $866,435 was recorded as share capital and the Company recorded a loss on settlement of this debt in the amount of $499,444 representing the difference between the fair value of the equity issued and the carrying value of the debt of $366,991 on the date of conversion.

(g) During 2017, 200,000 share options were exercised at a price of $0.10 a share for proceeds of $20,000. An amount of $18,200 representing the fair value of the options exercised was transferred from contributed surplus to share capital.

(h) The Company incurred a total of $1,100,543 share issuance costs including broker fees, commissions, legal fees and corporate finance fees during 2017 relating to the private placements, rights offering, secured credit transaction and share for debt transactions.

(Expressed in Canadian dollars)

7. Warrants

A summary of the status of the Company's warrants as at March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018		**December 31, 2017**	
	Number of warrants #	**Weighted average exercise price** $	**Number of warrants** #	**Weighted average exercise price** $
Balance, beginning of period	**108,408,269**	**0.20**	1,325,411	0.86
Granted on financing (a)	**-**	**-**	107,713,358	0.20
Expired (b)	**-**	**-**	(630,500)	(1.25)
Balance, end of period	**108,408,269**	**0.20**	108,408,269	0.20

A summary of the status of the Company's agent warrants as at March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018		**December 31, 2017**	
	Number of agent warrants #	**Weighted average exercise price** $	**Number of agent warrants** #	**Weighted average exercise price** $
Balance, beginning of period	**8,422,741**	**0.08**	560,280	0.54
Granted on financing (a)	**-**	**-**	7,879,961	0.05
Expired (b)	**-**	**-**	(17,500)	(1.25)
Balance, end of period	**8,422,741**	**0.08**	8,422,741	0.08

(Expressed in Canadian dollars)

7. Warrants - continued

a) In 2017, the Company issued a total of 107,713,357 share purchase warrants, consisting of 51,441,400 pursuant to the brokered private placement, 1,634,450 pursuant to the non-brokered private placement, 10,637,507 pursuant to the rights offering and 44,000,000 pursuant to the secured credit transaction. Each whole warrant entitles the holder to purchase one common share at a price of $0.20 per common share for a period of 2 years from the issuance date, with an accelerated exercise provision attached to each warrant commencing on the day following the issue date and the expiry of any hold period on the underlying common share, stating that if, for ten consecutive trading days, the closing price of the listed shares of the Company exceeds $1.00, then the Company may elect to accelerate the expiry date by providing the warrant holders 30 days' notice by way of a press release of the accelerated expiry date.

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In addition, in connection with the brokered private placement and the rights offering respectively, the Company issued 7,879,961 agent warrants. Each agent warrant entitles the agent to purchase one unit, consisting of one common share and one-half of one share purchase warrant ("Agent's Unit Warrants"), at an exercise price of $0.05 per unit exercisable for a period of 3 years from the issuance date. Each whole Agent's Unit Warrant is exercisable into one common share at an exercise price of $0.20 per common share for a period of 2 years from the original date of issuance of the agent warrants. The Agent's Unit Warrants are subject to an accelerated exercise provision attached to each Agent's Unit Warrant commencing on the day following the expiry of any applicable hold period on the underlying common share, stating that if, for ten consecutive trading days, the closing price of the listed common shares of the Company exceeds $1.00, then the Company may elect to accelerate the expiry date by providing the warrant holders, 30 days written notice together with the issue of a press release of the accelerated expiry date.

b) On December 2, 2017, 630,500 warrants and 17,500 investor warrants at price of $1.25 expired.

The exercise price and expiry date of all warrants outstanding as at March 31, 2018 are as follows:

Number of Warrants #	**Exercise Price**		**Expiry Date**
1,159,911	$	0.50	November 27, 2019
77,780	$	0.65	December 2, 2020
107,713,358	$	0.20	September 15, 2019
7,879,961	$	0.05	September 15, 2020
116,831,010			

(Expressed in Canadian dollars)

8. Share Options

	March 31, 2018		December 31, 2017	
	Number of options #	**Weighted average exercise price** $	**Number of options** #	**Weighted average exercise price** $
Balance, beginning of period	**21,437,230**	**0.05**	2,670,000	0.10
Granted	**-**	**-**	20,767,230	0.05
Exercised	**-**	**-**	(200,000)	(0.10)
Expired	**-**	**-**	(250,000)	(0.10)
Cancelled	**-**	**-**	(1,550,000)	(0.10)
Balance, end of period	**21,437,230**	**0.05**	21,437,230	0.05

Based on the financings completed on September 15, 2017, the Company granted stock options with respect to an existing management agreement. 20,767,230 share options were granted at an exercise price of $0.05 per share which vest over three years and are exercisable for a period of five years. These options were granted pursuant to the Company's existing incentive stock option plan and as such be subject to the general terms of the Option Plan and all applicable policies of the TSX Venture Exchange, including without limitation those that provide for maximum issuances to single participants under the Option Plan in any 12-month period.

The fair value of all options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 145%, risk-free interest rates of 1.4%, and an average expected life of five years. The estimated fair value of the granted options is $2,535,679. This amount is amortized over the vesting period and $387,396 has been expensed during the three months ended March 31, 2018 (2017 - $nil).

During 2017, 1,800,000 share options at a price of $0.10 expired or were cancelled, and 200,000 share options at $0.10 were exercised for proceeds of $20,000.

The following summarizes the shares options outstanding at March 31, 2018:

Number of Options #	**Exercise Price** $	**Weighted average remaining life** [years]
670,000	0.10	0.02
20,767,230	0.05	4.32
21,437,230		

9. Commitments

Clinical Trial Costs

The Company is committed to payments totaling approximately $2.9 million for activities related to our clinical trial such as manufacturing and contract research. These payments are expected to be made over the next 24 months; however, the timing and dollar amount can vary by month depending on amount of clinical trial activity taking place. Additionally, the Company has the right to cancel these future commitments by providing the agreed upon notice in the contract, generally 60 days.

Management Agreement

Effective December 16, 2016, the Company entered into a Management Contractor Agreement to oversee and manage a reorganization of the Company including the appointment of a new board of directors and management team. The agreement has a term of two years and the contractor will be compensated based on 15% of total operating expenses over the term of the agreement and options to acquire 7% of the Company's outstanding shares.

10. Related Party Balances and Transactions

Related party transactions are conducted on the terms and conditions agreed to by the related parties. It is the Company's policy to conduct all transactions and settle all balances with related parties on market terms and conditions.

During the three months ended March 31, 2018 the company incurred $123,800 of research and development expenses to a company related to Hemostemix by virtue of common management (March 31, 2017 - $Nil). At March 31, 2018 the Company had $123,800 in accounts payable and accrued liabilities owing to this company (December 31, 2017 - $Nil).

The following includes all compensation to key management personnel:

The Company incurred $348,855 in consulting fees to the CFO of the Company and the management contractor, who is providing a Chief Executive Officer, accountant and technical consultant among other services, during the three months ended March 31, 2018 (March 31, 2017 - $126,671). The management contractor was also reimbursed $6,581 in travel and other expenses during the three months ended March 31, 2018 (March 31, 2017 - $Nil). As at March 31, 2018, the Company had $293,852 in accounts payable and accrued liabilities owing to this management company and CFO (December 31, 2017 - $116,382).

10. Related Party Balances and Transactions - continued

On January 25, 2017, the Company secured a credit facility providing and initial $750,000 in funding from the company that is the management contractor for Hemostemix. In early 2017, the management contractor assigned the demand loan agreement and sold the related indebtedness of the Company to a company related to the management contractor company of Hemostemix. The Company received an additional $500,000 bringing total advances to $1,250,000. On September 15, 2017, as part of the secured credit transaction, this debt was converted into common shares of the Company *[see note 6d]*.

In 2016, the Company received proceeds of $1,000,000 from the issuance of a convertible debenture. The debenture was acquired by the company that became the management contractor for Hemostemix on December 22, 2016. In early 2017, the debenture was sold to a company related to the management contractor company of Hemostemix. On September 15, 2017, as part of a series of the secured credit transaction, this debenture was converted into common shares of the Company.

11. Financial Instruments

Our financial instruments consist of cash and cash equivalents, short term investments, other receivables and accounts payable and accrued liabilities. As at March 31, 2018, there are no significant differences between the carrying values of these amounts and their estimated market values.

Credit risk
Credit risk is the risk of financial loss if counterparty to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk on our cash and cash equivalents and short term investments in the event of non-performance by counterparties, but we do not anticipate such non-performance. Our maximum exposure to credit risk at the end of the period is the carrying value of our cash and cash equivalents and short term investments.

We mitigate our exposure to credit risk by maintaining our primary operating and investment bank accounts with Schedule I banks in Canada.

Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk through our cash and cash equivalents and our short-term investments. We mitigate this risk by investment of excess cash resources in investment grade vehicles while matching maturities with our operational requirements.

Fluctuations in market rates of interest do not have a significant impact on our results of operations due to the short term to maturity of the investments held.

(Expressed in Canadian dollars)

11. Financial Instruments - continued

Currency risk
Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of our operations, we are exposed to currency risk from the purchase of goods and services in the United States. In addition, we are exposed to currency risk to the extent cash is held in foreign currencies. The impact of a $0.01 increase in the value of the U.S. dollar against the Canadian dollar would have increased our net loss in 2018 by approximately $2,299.

We mitigate our foreign exchange risk by maintaining sufficient foreign currencies, through the purchase of foreign currencies to settle our foreign accounts payable and future commitments.

Balances in foreign currencies at March 31, 2018 are as follows:

	US Dollars $
Cash and cash equivalents	2,971,173
Accounts payable and accrued expenses	(184,115)
	2,787,058

Liquidity risk
Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure. Accounts payable are all due within the current operating period.

12. Comparative Figures

Certain comparative figures have been reclassified for discontinued operations to conform with the current year's financial statement presentation [*see note 3*].

13. Subsequent Events

Expiry of Share Options

On April 17, 2018, 330,000 share purchase options, with an exercise price of $0.10 expired.

Exercise of Agent Warrants

On April 20, 2018, the Company received $9,954 from the exercise of 199,079 agent's warrants issued pursuant to the 2017 Private Placement offering. The agent's warrants were exercised into 199,079 common shares and 99,539 Agent's Unit Warrants.

On April 23, 2018 the Company received $26,643 from the exercise of 532,855 agent's warrants issued pursuant to the rights offering. The agent's warrants were exercised into 532,855 common shares and 266,427 Agent's Unit Warrants.

On May 4, 2018 the Company received $3,075 from the exercise of 61,500 agent's warrants issued pursuant to the rights offering. The agent's warrants were exercised into 61,500 common shares and 30,750 Agent's Unit Warrants.

Granting of Options

On April 27, 2018, the Company granted 6,300,000 options to directors, officers, employees and consultants at an exercise price of $0.10 per common share. These options expire five years from the date of grant and generally have up to one-third vesting on each of the first, second and third anniversaries from the date of grant.