

Hemostemix Inc.

Interim Condensed Consolidated Financial Statements

For the Three and Six Month Periods Ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

Hemostemix Inc.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

The accompanying unaudited interim financial statements of the Company for the three and six month period ending June 30, 2018 and 2017 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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Hemostemix Inc.

Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	June 30, 2018	December 31, 2017
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	3,863,068	3,958,703
Short term investments	-	1,254,659
HST / GST receivable	63,663	27,085
Other receivables and prepaid expenses	18,795	62,041
	3,945,526	5,302,488
Intangible assets, net <i>(note 4)</i>	1	1
Total Assets	3,945,527	5,302,489
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses <i>(note 10)</i>	843,813	464,792
Shareholders' Equity (Deficiency)		
Share capital <i>(note 6)</i>	30,802,674	30,741,184
Warrants <i>(note 7)</i>	3,207,459	3,227,777
Contributed surplus <i>(note 8)</i>	2,250,730	1,284,758
Deficit	(33,159,149)	(30,416,022)
	3,101,714	4,837,697
Total Liabilities and Shareholders' Equity	3,945,527	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**"

Chairman, Angus Jenkins

Hemostemix Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars, except per share and number of shares amounts)

(Unaudited)

	Three Months June 30, 2018	Three Months June 30, 2017 (Note 3)	Six Months June 30, 2018	Six Months June 30, 2017 (Note 3)
Expenses	\$	\$	\$	\$
Research and development (note 10)	526,225	-	785,087	7,162
Consultant and management fees (note 10)	411,698	224,315	807,971	390,988
Stock compensation expense	578,576	-	965,972	-
Lease and office maintenance	52,612	34,428	96,398	53,435
Professional Fees	130,370	50,768	238,206	106,773
Travel	33,353	-	41,225	-
Accretion expense (note 5c,d)	-	39,898	-	140,818
Foreign Exchange (gain) / loss	(64,584)	7,760	(171,564)	(828)
Interest expense (income)	(8,916)	24,001	(23,364)	41,073
Finance expenses	-	888	-	290
Net Loss from continuing operations for the period	(1,659,334)	(382,058)	(2,739,931)	(739,711)
Loss from discontinued operations net of income taxes (note 3)	-	(127,743)	(3,196)	(318,849)
Net loss and comprehensive loss for the period	(1,659,334)	(509,801)	(2,743,127)	(1,057,560)

Basic and Diluted Net Loss per Share

Continuing operations	(0.01)	(0.01)	(0.01)	(0.01)
Discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of shares	297,482,782	74,208,397	297,183,751	74,208,397

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

Hemostemix Inc.

Consolidated Statements of Changes in Equity (Deficiency)

June 30, 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	-	-	-	-	-	(1,058,560)	(1,058,560)
Balance, June 30, 2017	74,583,119	23,226,688	-	848,697	-	(27,539,671)	(3,464,286)
Issuance of convertible secured debt facilities (note 6d)	-	-	-	-	166,845	-	166,845
Shares issued pursuant to private placement	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 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	-	-	-	-	-	(2,876,351)	(2,876,351)
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)	-	-	-	965,972	-	-	965,972
Exercise of warrants (note 7a)	823,434	61,490	(20,318)	-	-	-	41,172
Net loss and comprehensive loss for the period	-	-	-	-	-	(2,743,127)	(2,743,127)
Balance, June 30, 2018	297,698,154	30,802,674	3,207,459	2,250,730	-	(33,159,149)	3,101,714

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

Hemostemix Inc.

Consolidated Statements of Cash Flows

For the six months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

	Six Months June 30, 2018	Six Months June 30, 2017 (note 3)
	\$	\$
Cash flow from operating activities		
Net loss from continuing operations	(2,739,931)	(739,711)
Items not affecting cash:		
Stock compensation expense	965,972	-
Accretion expense (note 5b,c)	-	140,818
Change in non-cash working capital items		
Reallocation of short term investments, with less than three months to maturity, to cash and cash equivalents	1,254,659	-
Other receivables and prepaid expenses	43,246	(13,463)
HST / GST receivable	(36,578)	(13,901)
Accounts payable and accrued expenses	379,019	6,762
Income taxes payable	-	(4,805)
Cash flow from continuing operations	(133,611)	(624,300)
Cash flow from discontinued operations (note 3)	(3,196)	(298,849)
Net cash used in operating activities	(136,807)	(923,149)
Cash flow from financing activities		
Proceeds from issuance of demand loan	-	900,000
Shares issued pursuant to right of first refusal	-	40,000
Exercise of warrants	41,172	-
Net cash from financing activities	41,172	940,000
Increase (decrease) in cash and cash equivalents	(95,635)	16,851
Cash and cash equivalents, beginning of period	3,958,703	34,834
Cash and cash equivalents, end of period	3,863,068	51,685

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

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

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 Limited, 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 \$2,743,127 for the six months ended June 30, 2018 (June 30, 2017 - \$1,058,560) and had accumulated deficit as of June 30, 2018, of \$33,159,149 (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 June 30, 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 August 24, 2018.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies

These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2017. 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, 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 Limited. 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.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

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:

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies - continued

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.

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 loss. 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.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies - continued

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.

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 anticipates no impact on its financial reporting as the Company is currently not party to any financial leases.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(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 six months ended June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
	\$	\$
Operating expenses	3,196	292,161
Depreciation	-	20,000
Loss from discontinued operations before income tax expense	3,196	312,161
Income tax expense	-	6,688
Loss from discontinued operations, net of tax	(3,196)	(318,849)

The Israel operations had current assets of \$9,433 as at June 30, 2018 (December 31, 2017 - \$20,238) and current liabilities of \$4,123 as at June 30, 2018 (December 31, 2017 - \$11,727).

The following table summarizes the net cash flow attributable to the discontinued operations for the six months ended June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
	\$	\$
Net loss	(3,196)	(318,849)
Items not affecting cash:		
Depreciation expense	-	20,000
Cash flows from operating activities	(3,196)	(298,849)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

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

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(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:**

	June 30, 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]*.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

5. Loans and Borrowings - continued

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

	June 30, 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.

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].

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(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, June 30, 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 transactions (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
Exercise of warrants (i)	823,434	61,490
Balance, June 30, 2018	297,698,154	30,802,674

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

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.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

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.
- (i) During the three and six months ended June 30, 2018 a total of 823,434 agent warrants were exercised into 823,434 common shares for total cash proceeds of \$41,172, and a fair value amount of \$20,318 was transferred from warrants to share capital. *[see note 7(a)]*

Notes to Interim Condensed Consolidated Financial Statements*June 30, 2018 and 2017*

(Expressed in Canadian dollars)

7. Warrants

A summary of the status of the Company's warrants as at June 30, 2018 and December 31, 2017 is as follows:

Investor Warrants	June 30, 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 (b)	-	-	107,713,358	0.20
Expired (c)	-	-	(630,500)	(1.25)
Issued on exercise of agent warrants (a)	411,716	0.20	-	-
Balance, end of period	108,819,985	0.20	108,408,269	0.20

A summary of the status of the Company's agent warrants as at June 30, 2018 and December 31, 2017 is as follows:

Agent Warrants	June 30, 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 (b)	-	-	7,879,961	0.05
Expired (c)	-	-	(17,500)	(1.25)
Exercised (a)	(823,434)	(0.05)	-	-
Balance, end of period	7,599,307	0.08	8,422,741	0.08

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

7. Warrants - continued

- a) During the three and six months ended June 30, 2018 a total of 823,434 agent warrants were exercised into 823,434 common shares for total cash proceeds of \$41,172, and a fair value amount of \$20,318 was transferred from warrants to share capital [see note 6(i)]. As part of this exercise, a total of 411,716 whole agent units warrants were issued, which are 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.
- b) 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.

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.

Notes to Interim Condensed Consolidated Financial Statements*June 30, 2018 and 2017*

(Expressed in Canadian dollars)

- c) In 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 June 30, 2018 are as follows:

Warrants	Exercise Price	Expiry Date
1,129,911	\$ 0.50	November 27, 2019
77,780	\$ 0.65	December 2, 2020
108,125,074	\$ 0.20	September 15, 2019
7,086,527	\$ 0.05	September 15, 2020
116,419,292		

8. Share Options

	June 30, 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	6,300,000	0.10	20,767,230	0.05
Exercised	-	-	(200,000)	(0.10)
Expired	(330,000)	(0.10)	(250,000)	(0.10)
Cancelled	-	-	(1,550,000)	(0.10)
Balance, end of period	27,407,230	0.06	21,427,230	0.05

On April 26, 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.

During the three and six months ended June 30, 2018, 330,000 share options at a price of \$0.10 expired.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

8. Share Options - continued

In the third quarter of 2017, based on the financings completed in 2017, the Company granted 20,767,230 stock options with respect to an existing management agreement at an exercise price of \$0.05 per common share. These options expire 5 years from the date of grant and vest over three years.

All 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%-151%, risk-free interest rates of 1.4% - 2.1%, and an average expected life of five years. The estimated fair value of the granted options is \$2,990,539. This amount is amortized over the vesting period and \$965,972 has been expensed during the six months ended June 30, 2018 (2017 - \$nil).

In 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 June 30, 2018:

Number of Options #	Exercise Price \$	Weighted average remaining life [years]
6,640,000	0.10	4.64
20,767,230	0.05	4.21
27,407,230		

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

9. Commitments

Clinical Trial Costs

The Company is committed to payments totaling approximately \$2.6 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 and six months ended June 30, 2018 the company incurred \$242,583 and \$366,384, respectively, of research and development expenses to a company related to Hemostemix by virtue of common management (for the three and six month period ended June 30, 2017 - \$Nil). At June 30, 2018 the Company had \$Nil 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 \$343,234 and \$692,088, in consulting fees to the Chief Scientific Officer, a member of the Scientific Advisory Board, the previous CFO of the Company and the management contractor, who is providing a Chief Executive Officer, Chief Financial Officer, accountant and technical consultant among other services, during the three and six month periods ended June 30, 2018 (June 30, 2017 -\$225,428 and \$352,099 for the three and six month periods). The management contractor was also reimbursed \$32,073 and \$38,654 in travel and other expenses during the three and six months ended June 30, 2018 (June 30, 2017 - \$Nil for the three and six month periods). As at June 30, 2018, the Company had \$390,542 in accounts payable and accrued

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

10. Related Party Balances and Transactions - continued

liabilities owing to this management company, Chief Scientific Officer, and Scientific Advisory Board Member (December 31, 2017 - \$116,382).

The Company recorded share-based compensation for the three and six months ended June 30, 2018 in the amount of \$525,327 and \$387,395 respectively [2017 – \$nil] to key management personnel.

On January 25, 2017, the Company secured a credit facility providing an 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].

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 June 30, 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.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

11. Financial Instruments - continued

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.

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 for the three and six months ended June 30, 2018 by approximately \$4,442 and \$6,741 respectively.

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 June 30, 2018 are as follows:

	US Dollars
	\$
Cash and cash equivalents	2,417,859
Accounts payable and accrued expenses	(144,896)
	2,272,963

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.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian dollars)

12. Comparative Figures

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

13. Subsequent Events

Exercise of Agent Warrants

On August 20, 2018 the Company received \$150,000 from the exercise of 3,000,000 agent's warrants issued pursuant to the rights offering. The agent's warrants were exercised into 3,000,000 common shares and 1,500,000 Agent's Unit Warrants

Exercise of Broker Warrants

On August 10, 2018 the Company received \$500 from the exercise of broker warrants. The broker warrants were exercised into 1,000 common shares.

Granting of Options

Subsequent to the end of the quarter the Company approved a grant of 1,450,000 stock options to certain consultants and Scientific Advisory Board members. The options all have an exercise price of \$0.10 and an expiry date 5 years from the date of issue. Of the options issued, 200,000 vest over a period of 3 years, while the remainder of the options vest based on certain performance based criteria, which are expected to be met over the next 2 years.