

Unaudited Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

**AVAGENESIS CORP.**

Three and nine months ended March 31, 2016 and 2015

# AVAGENESIS CORP.

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

	March 31, 2016	June 30, 2015
<b>Assets</b>		
Current assets:		
Cash	\$ 15,526	\$ 489,000
Sales taxes receivable and other	35,199	115,292
	<u>50,725</u>	<u>604,292</u>
Intangible asset (note 3)	1,036,812	1,097,801
	<u>\$ 1,087,537</u>	<u>\$ 1,702,093</u>
<b>Liabilities and Shareholders' Equity</b>		
Trade and other payables (note 5)	\$ 370,889	\$ 306,620
Deposit for share subscription	-	162,920
	<u>370,889</u>	<u>469,540</u>
Shareholders' equity:		
Share capital (note 4)	9,942,907	9,439,987
Accumulated deficit	(9,226,259)	(8,207,434)
	<u>716,648</u>	<u>1,232,553</u>
Corporate information and going concern (note 1)		
	<u>\$ 1,087,537</u>	<u>\$ 1,702,093</u>

See accompanying notes to condensed consolidated interim financial statements.

# AVAGENESIS CORP.

Condensed Consolidated Interim Statements of Comprehensive Loss  
(Expressed in Canadian dollars)  
(Unaudited)

	Three months ended		Nine months ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Expenses:				
Amortization (note 3)	\$ 20,330	\$ 3,565	\$ 60,989	\$ 3,565
General and administration (note 5)	120,536	276,017	533,428	803,406
Research and development (note 5)	70,954	450,555	427,530	811,561
Loss before the undernoted items	(211,820)	(730,137)	(1,021,947)	(1,618,532)
Interest income	-	332	65	13,405
Foreign exchange expense	(2,728)	12,433	3,057	15,247
Net loss and comprehensive loss for the period	\$ (214,548)	\$ (717,372)	\$ (1,018,825)	\$ (1,589,880)
Net loss per share basic and diluted (note 4(c))	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.03)

See accompanying notes to condensed consolidated interim financial statements.

# AVAGENESIS CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)  
(Unaudited)

Nine months ended March 31, 2015

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Total
Balance, June 30, 2014	50,807,900	\$ 7,622,042	\$ -	\$ (6,071,895)	\$ 1,550,147
Acquisition of Curastem	1,580,821	1,817,945	-	-	1,817,945
Net loss	-	-	-	(1,589,880)	(1,589,880)
<b>Balance March 31, 2015</b>	<b>52,388,721</b>	<b>\$ 9,439,987</b>	<b>\$ -</b>	<b>\$ (7,661,775)</b>	<b>\$ 1,778,212</b>

Nine months ended March 31, 2016

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Total
Balance, June 30, 2015	52,388,721	\$ 9,439,987	\$ -	\$ (8,207,434)	\$ 1,232,553
Issuance of common shares non-brokered (note 4(b))	428,650	342,920	-	-	342,920
Issuance of common shares non-brokered (note 4(b))	200,000	160,000	-	-	160,000
Net loss	-	-	-	(1,018,825)	(1,018,825)
<b>Balance March 31, 2016</b>	<b>53,017,371</b>	<b>\$ 9,942,907</b>	<b>\$ -</b>	<b>\$ (9,226,259)</b>	<b>\$ 716,648</b>

See accompanying notes to condensed consolidated interim financial statements.

# AVAGENESIS CORP.

Unaudited Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian dollars)

	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Cash (used in) provided by:		
Operations:		
Net loss for the period	\$ (1,018,825)	\$ (1,589,880)
Items not involving cash		
Amortization	60,989	3,565
Changes in non-cash working capital:		
Sales tax receivable and other receivables	80,093	27,182
Accounts payable and accrued liabilities	64,269	(88,557)
Cash used in operating activities	(813,474)	(1,647,690)
Financing:		
Issuance of common shares	502,920	-
Deposit for future subscription	(162,920)	-
Cash provided by financing activities	340,000	-
Investing:		
Redemption of short-term investments	-	100,000
Cash acquired on acquisition of Curastem	-	696,250
Cash provided by investing activities	-	796,250
Decrease in cash	(473,474)	(851,440)
Cash, beginning of period	489,000	1,620,945
Cash, end of period	\$ 15,526	\$ 769,505

See accompanying notes to condensed consolidated interim financial statements.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

Three and nine months ended March 31, 2016 and 2015

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## 1. Corporate information and going concern:

Avagenesis Corp., (“Avagenesis” or “the Company”) was incorporated on December 10, 2010 under the *Business Corporations Act* (British Columbia) and continued into Alberta, Canada on February 10, 2011.

The Company coordinates certain research and commercialization activities through a related Canadian company.

Avagenesis is a biotechnology company engaged in the commercialization of licensed cell isolation medical technologies for use in regenerative medical aesthetics, wound management and non-healing wounds, cardiovascular and heart diseases, peripheral arterial diseases, critical limb ischemia or diabetic leg, hepatic disease and kidney disease.

These condensed consolidated interim financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2016, the Company had an accumulated deficit of \$9,226,259. This condition raises significant doubt about the Company’s ability to continue as a going concern.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to develop profitable operations in the future. The Company has generated operating losses since inception. These conditions raise significant doubt about the Company’s ability to continue as a going concern. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments.

There can be no assurances that Avagenesis will be successful in raising additional cash to finance operations or that the continued support of shareholders will be available. These condensed consolidated interim financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. Basis of preparation:

### (a) Statement of compliance:

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company’s audited consolidated financial statements for the year ended June 30, 2015. These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”. The condensed consolidated interim financial statements do not include all of the information required for full annual financial

# AVAGENESIS CORP.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
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## 2. Basis of preparation (continued):

### (a) Statement of compliance (continued):

statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2015.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 30, 2016.

### (b) Basis of measurement:

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

### (c) Accounting judgments, estimates and assumptions:

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect application of accounting policies and the reported amounts of assets and liabilities at the date of the quarterly consolidated financial statements and reported amounts of revenue and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Significant judgments made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include the application of the going concern assumption, the expensing of research and development costs, the amortization and impairment of intangible asset, and the determination of related parties.

## 3. Intangible asset:

As at March 31, 2016, the Company had the following intangible asset:

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	Cost	Accumulated amortization	Net
License for burn management	\$1,121,695	\$84,883	\$1,036,812

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## 4. Shareholders' equity:

### (a) Share capital:

#### *Authorized:*

Unlimited voting, participating common shares, with no par value

Unlimited preferred shares, issuable in series

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## 4. Shareholders' equity (continued):

### (a) Share capital (continued):

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

### (b) Issuance of common shares:

On July 21, 2015, the Company closed the first tranche of a non-brokered private placement, which consisted of the issuance of a total of 428,650 common shares at a price of \$0.80 per share, for gross proceeds of \$342,920.

Funds of \$162,920 received by the Company in relation to the non-brokered private placement by June 30, 2015 were recognized in share capital in the current period.

On August 21, 2015, the Company closed the final tranche of the non-brokered private placement, which consisted of the issuance of a total of 200,000 common shares at a price of \$0.80 per share, for gross proceeds of \$160,000.

The private placement in total consisted of the issuance of 628,650 common shares at a price of \$0.80 per common share for gross proceeds of \$502,920.

### (c) Earnings per share computation:

The following table sets forth the computation of loss per common share:

	Three months ended		Nine months ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Loss for the period	\$ (214,548)	\$ (717,372)	\$ (1,018,825)	\$ (1,589,880)
Weighted average number of common shares outstanding	53,017,371	51,088,935	52,949,106	50,900,211
Net loss per share basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.03)

## 5. Related party transactions:

Related parties include shareholders with a significant ownership interest in the Company, together with its subsidiaries and affiliates and the Company's key management personnel. The transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions between the Company and its subsidiaries are eliminated on consolidation.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements  
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## 5. Related party transactions (continued):

(a) Balances with related parties:

	March 31 2016	June 30 2015
Trade and other payables	\$ 357,058	\$ 286,557

(b) Transactions during the year with a company related through common founding shareholders:

	Three months ended		Nine months ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Licensing fees (included in Research and development)	\$ 50,000	\$ 25,000	\$ 150,000	\$ 75,000
Management fees (included in General and administration)	82,347	154,871	330,659	476,409
Research and development	\$ 20,954	\$ 425,486	\$ 277,530	\$ 733,701