Hemostemix Inc.

Interim Condensed Consolidated Financial Statements

Third Quarter September 30, 2017 and 2016

(Expressed in Canadian Dollars)
(Unaudited)

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For the three and nine months ended September 30, 2017 and 2016
Unaudited

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

	September 30, 2017	December 31, 2016
Assets		
Current		
Cash and cash equivalents	**$ 5,556,168**	$ 34,834
HST receivable	**108,377**	16,012
Other receivables and prepaid expenses *(note 4)*	**146,830**	74,427
	5,811,375	125,273
Equipment, net *(note 5)*	**73,166**	101,837
Intangible assets, net *(note 6)*	**1**	1
	$ 5,884,542	$ 227,111
Liabilities		
Current		
Accounts payable and accrued expenses *(notes 7 and 14)*	**$ 486,647**	$ 1,518,040
Income taxes payable	**-**	4,805
Demand notes payable *(note [8b])*	-	500,000
Convertible promissory notes payable *(note [8c])*	**-**	578,508
Derivative liability *(note [8d])*	**-**	775,325
	486,647	3,376,678
Convertible debenture payable *(note [8d])*	**-**	312,659
	486,647	3,689,337
Shareholders' Equity (Deficiency)		
Share capital *(note 9)*	**30,767,820**	22,097,981
Warrants *(note 10)*	**3,227,777**	**-**
Contributed surplus *(note 11)*	**897,111**	848,697
Equity portion of convertible debt *(note 12)*	**-**	72,207
Deficit	**(29,494,813)**	(26,481,111)
	5,397,895	(3,462,226)
	$ 5,884,542	$ 227,111

Going concern *(note 1)*
Commitments and contingencies *(note 13)*
Subsequent events *(note 16)*
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 and nine months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

	Three months Sept 30, 2017	Three months Sept 30, 2016	**Nine months Sept 30, 2017**	Nine Months Sept 30, 2016
Expenses				
Research and development salaries and related benefits	**$ 96,684**	**$** 150,435	$ **214,660**	$ 528,886
Research and development consulting fees	**13,081**	280,863	**20,243**	352,283
Consultant fees *(note 14)*	**511,025**	398,436	**677,697**	796,839
Stock compensation expense	**93,914**	-	**93,914**	-
Lease and office maintenance	**119,982**	251,656	**182,426**	424,021
Professional fees	**1,091,109**	420,538	**1,162,648**	641,892
Travel expenses	**-**	59,724	**-**	90,049
Depreciation *(note 5)*	**18,671**	9,646	**28,671**	28,912
Accretion expense *(note 8c,d)*	**651,913**	19,058	**752,833**	19,058
Foreign exchange loss (gain)	**(52,278)**	6,926	**(61,044)**	26,474
Interest expense, net *(note 9e)*	**153,842**	991	**170,915**	1,606
Change in fair value of derivative	**(237,200)**	-	**(237,200)**	-
Net loss and comprehensive loss for the period before income tax expense	**(2,460,743)**	(1,598,273)	**(3,005,763)**	(2,910,020)
Income tax expense	**4,200**	4,676	**7,939**	16,327
Net loss and comprehensive loss for the period	**$ (2,464,943)**	**$** (1,602,949)	**$ (3,013,702)**	$ (2,926,347)
Loss per share-basic and diluted	**$ (0.02)**	**$** (0.02)	**$ (0.03)**	$ (0.04)
Weighted average number of common shares outstanding - Basic and diluted	**111,605,053**	67,528,119	**86,723,764**	67,261,082

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

Interim Condensed Consolidated Statements of Changes in Equity(Deficiency)
September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Equity Portion of Debt	Deficit	Total
Balance, December 31, 2015	67,098,119	$ 21,952,821	-	$ 917,857	$ -	$ (22,696,599)	$ 174,079
Exercise of share options *(note 9a)*	760,000	145,160	-	(69,160)	-	-	76,000
Equity component of promissory notes *(note 9b)*	-	-	-	-	72,207	-	72,207
Net loss and comprehensive loss for the period	-	-	-	-	-	(2,926,347)	(2,926,347)
Balance, September 30, 2016	**67,858,119**	**$ 22,097,981**	**-**	**$ 848,697**	**$ 72,207**	**$ (25,622,946)**	**$ (2,604,061)**
Net loss and comprehensive loss for the period	-	-	-	-	-	(858,165)	(858,165)
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 9b]*	2,500,000	500,000	-	-	-	-	500,000
Conversion of promissory notes payable *[note 9b]*	4,025,000	716,207	-	-	(72,207)	-	644,000
Shares issued pursuant to Right of First Refusal *[note 9b]*	200,000	40,000	-	-	-	-	40,000
Shares issued pursuant to Private Placement *[note 9c]*	106,151,700	5,307,585		-	-	-	5,307,585
Shares issued pursuant to Rights Offering *[note 9d]*	21,275,015	1,063,751	-	-	-	-	1,063,751
Shares issued for Secured Credit *[note 9e]*	88,000,000	4,400,000	-	-	-	-	4,400,000
Transfer of residual value of converted debt *[note 9e]*	-	538,125	-	-	-	-	538,125
Warrants issued pursuant to Private Placement, Rights Offering and Secured Credit transaction *[note 9f]*	-	(3,227,777)	3,227,777	-	-	-	-
Shares issued for debt *[note 9g]*	6,664,886	366,991	-	-	-	-	366,991
Share options issued	-	-	-	93,914	-	-	93,914
Exercise of share options *[note 9h]*	200,000	65,500	-	(45,500)	-	-	20,000
Share issue costs	-	(1,100,543)	-	-	-	-	(1,100,543)
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,013,702)	(3,013,702)
Balance, September 30, 2017	**296,874,720**	**$ 30,767,820**	**$3,227,777**	**$ 897,111**	**$ -**	**$ (29,494,813)**	**$ 5,397,895**

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

Interim Condensed Consolidated Statements of Cash Flows
for the nine months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

	Nine months Sept 30, 2017	Nine months Sept 30, 2016
Cash flow from operating activities		
Net loss for the period	**$ (3,013,702)**	$ (2,926,347)
Items not affecting cash:		
Stock compensation expense	**93,914**	-
Depreciation expense	**28,671**	28,912
Accretion expense *(note 8c,d)*	**752,833**	19,058
Interest expense *(note 9)*	**172,390**	-
Change in fair value of derivative	**(237,200)**	-
Professional fees reimbursed in secured credit transaction	**1,020,905**	-
Non-cash working capital items:		
Other receivables and prepaid expenses	**68,401**	53,383
HST receivable	**(22,771)**	(42,679)
Accounts payable and accrued expenses	**(514,411)**	608,038
Income taxes payable	**(4,805)**	927
	(1,655,775)	(2,258,707)
Cash flow from investing activities		
Purchase of equipment	-	(1,532)
Cash flow from financing activities		
Proceeds from issuance of demand notes	-	175,000
Proceeds from issuance of convertible promissory notes	-	644,000
Proceeds from issuance of convertible debenture	-	1,000,000
Advances from secured credit facility	**1,250,000**	-
Shares issued pursuant to right of first refusal	**40,000**	-
Proceeds from private placements, Rights offering, secured credit and shares for debt transactions, net of issuance costs	**5,867,109**	-
Exercise of share options	**20,000**	76,000
	7,177,109	1,895,000
Increase (decrease) in cash and cash equivalents	**5,521,334**	(365,239)
Cash and cash equivalents, beginning of period	**34,834**	506,581
Cash and cash equivalents, end of period	**$ 5,556,168**	$ 141,342

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 5220 Duncan Ave Blackfalds AB T0M 0J0.

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.

The Company incurred a net loss of $3,013,702 during the nine months ended September 30 2017 (2016 - $2,926,347) and had accumulated deficit as of September 30, 2017, of $29,494,813 (2016 - $26,481,111). Recurring sources of revenue have not yet proven to be sufficient, as the Company’s biotechnology is at an early stage and the Company has not 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 September 30, 2017 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. The Company's ability to continue to operate is dependent upon continuing financial support.

On January 25, 2017, the Company converted $1,184,000 in debt with the issuance of 6,525,000 common shares of the Company and received $40,000 pursuant to a right of first refusal agreement resulting in a further issuance of 200,000 shares.

On September 15, 2017, the Company completed a series of financings including a brokered and non-brokered private placement, rights offering, secured credit transaction and a series of shares for debt transactions with the Company’s creditors through the issuance of common shares. Collectively, the Company generated gross proceeds of $11,138,327, aggregating $5,307,585 from the private placements, $1,063,751 from the rights offering, $4,400,000 from the secured credit transaction and $366,991 from shares issued for debt. The financings resulted in the Company issuing a total of 222,091,601 common shares aggregating 106,151,700 pursuant to the private placement, 21,275,015 pursuant to the rights offering, 88,000,000 pursuant to the secured credit transaction and 6,664,886 pursuant to the shares for debt transaction.

During 2016 the Company raised proceeds of $2,144,000 from the issuance of debt which was satisfied in full upon the completion of the series of financings on September 15, 2017 noted above.

These interim condensed consolidated financial statements were approved by the Company’s Board of Directors on November 29, 2017.

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, 2016 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, 2016.

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 interim condensed 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.

These interim condensed 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 interim condensed consolidated financial statements.

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 9, Financial Instruments

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. This standard is mandatorily effective from January 1, 2018, with earlier application permitted. Management intends to adopt IFRS 9 on its effective date and has not yet determined the potential impact on the Company's consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

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. The Company intends to adopt the new Standard on its effective date and has yet to consider the impact on its financial reporting. As the company is not currently earning revenue there is no impact on its financial reporting.

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.

3. Reverse Take-over Transaction ("RTO")

During 2014, the Company completed a reverse takeover transaction to form a new entity under the Business Corporations Act (Alberta) called "Hemostemix Inc." On November 27, 2014, shares of the Company began trading on the TSX Venture Exchange under the symbol "HEM".

(Expressed in Canadian dollars)

4. Other Receivables and Prepaid Expenses

	September 30, 2017	December 31, 2016
V.A.T. receivable	**$ 6,026**	$ 2,030
Prepaid insurance, rent, security deposit and income taxes	**-**	52,397
Prepaid legal fees	**-**	20,000
Subscription receivable (a)	**140,804**	-
	$ 146,830	$ 74,427

(a) $140,804 represents subscription receipts outstanding at September 30, 2017 pursuant to the private placements completed on September 15, 2017. *[see note 9c]*. These funds were received by the Company subsequent to end of the fiscal period.

5. Equipment

	Computers and equipment	**Office furniture and equipment**	**Total**
Cost			
As at December 31, 2015	$ 34,857	$ 227,562	$ 262,419
Additions	1,532	-	1,532
As at December 31, 2016 and September 30, 2017	**$ 36,389**	**$ 227,562**	**$ 263,951**
Accumulated depreciation			
As at December 31, 2015	$ 12,379	$ 111,179	$ 123,558
Depreciation	3,326	35,230	38,556
As at December 31, 2016	$ 15,705	$ 146,409	$ 162,114
Depreciation	2,251	26,420	28,671
As at September 30, 2017	**$ 17,956**	**$ 172,829**	**$ 190,785**
Net book value			
As at September 30, 2017	**$ 18,433**	**$ 54,733**	**$ 73,166**
As at December 31, 2016	$ 20,684	$ 81,153	$ 101,837

(Expressed in Canadian dollars)

6. 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 (2016 - $1). Additional provisional patent applications have been filed and patents continue to be prosecuted in additional countries; however, the Company has determined that none of these costs meet their criteria for deferral (2016 - $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

7. Accounts Payable and Accrued Expenses

	September 30 2017	December 31 2016
Accounts payable	**$ 424,891**	$ 953,403
Employee and payroll accruals	**49,191**	139,130
Accrued expenses	**12,565**	425,507
	$ 486,647	$ 1,518,040

(Expressed in Canadian dollars)

8. 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% compounded and payable (interest only) monthly. 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 9e]*

(b) **Demand notes payable consist of the following:**	**September 30 2017**	December 31 2016
Demand notes payable	$ -	$ 500,000

In 2016, the Company received total proceeds of $500,000 from the issuance of notes payable. Interest accrues at a rate of 5% per annum, compounded and payable monthly.

On January 25, 2017, the Company converted these $500,000 of demand notes at $0.20 per share resulting in the issuance of 2,500,000 Shares *[see note 9b]*.

(c) **Convertible promissory notes payable consists of the following:**	**September 30 2017**	December 31 2016
Face value of convertible promissory notes upon issuance	$ **644,000**	$ 644,000
Less: discount	**(98,237)**	(98,237)
Book value of convertible promissory notes on initial recognition	**545,763**	545,763
Accumulated accretion expense	**98,237**	32,745
	644,000	578,508
Conversion of notes payable into common shares	**(644,000)**	-
Balance at end of period	**$ -**	$ 578,508

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 *[see note 8d]* and $644,000 convertible promissory notes payable, including $464,000 advanced from insiders of the Company.

The Company allocated the total proceeds received between the promissory notes payable and equity to account for the conversion feature. The fair value of the promissory notes was deemed to be $545,763. The residual value of $98,237 was allocated to equity *[see note 12]*.

(Expressed in Canadian dollars)

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 9b]* Accretion expense for the nine months ended September 30, 2017 was $65,492 representing the interest that was fully accreted up to the full discount.

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

	September 30, 2017	December 31, 2016
Face value of convertible debenture upon issuance	**$ 1,000,000**	$ 1,000,000
Less: Fair value of derivative liability	**(729,035)**	(729,035)
Book value of convertible debenture on initial recognition	**270,965**	270,965
Accumulated accretion expense	**729,035**	41,694
	1,000,000	312,659
Conversion of debenture into common shares	**(1,000,000)**	-
Balance end of period	$ -	$ 312,659

On September 2, 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 September 15, 2017 as part of a secured credit transaction, the Company converted this debenture into common shares at $0.05 per share. *[see note 9e]*. Accretion expense for the nine months ended September 30, 2017 was $687,341 representing the interest that was fully accreted up to the value of the derivative liability.

The derivative liability of $729,035 was re-valued at $775,325 as at December 31, 2016. At September 15, 2017, pursuant to the secured credit transaction and conversion of the debenture, the derivative liability was re-valued at $538,125. Change in the fair value of the derivative liability for the nine months ended September 30, 2017 was a decrease of $237,200. The amount of $538,125 was then transferred from derivative liability to share capital on September 15, 2017. *[see note 9e]*

Notes to Interim Condensed Consolidated Financial Statements
September 30, 2017 and 2016
(Expressed in Canadian dollars)
(Unaudited)

9. 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.

All share numbers below are represented retroactively after giving effect to the share exchanges completed as part of a Qualifying Transaction on November 10, 2014 as outlined in Note 3.

Common Shares

	Number of Shares #	Amount $
Balance, December 31, 2015	**67,098,119**	**$ 21,952,821**
Share options exercised (a)	760,000	145,160
Balance, September 30 and December 31, 2016	**67,858,119**	**22,097,981**
Conversion of demand notes payable (b)	2,500,000	500,000
Conversion of promissory notes payable (b)	4,025,000	644,000
Transfer of value of converted promissory note (b)	-	72,207
Shares issued pursuant to ROFR agreement(b)	200,000	40,000
Shares issued pursuant to private placements (c)	106,151,700	5,307,585
Shares issued pursuant to rights offering (d)	21,275,015	1,063,751
Shares issued pursuant to secured credit transaction (e)	88,000,000	4,400,000
Transfer of value of converted debenture (e)	-	538,125
Value of warrants issued on private placements, Rights offering and secured credit transaction (f)	-	(3,227,777)
Shares issued for debt (g)	6,664,886	366,991
Share options exercised (h)	200,000	65,500
Share issue costs	-	(1,100,543)
Balance, September 30, 2017	**296,874,720**	**30,767,800**

9. Share Capital - continued

(a) During the nine-month period ended September 30, 2016, 760,000 share options were exercised at a price of $0.10 a share for proceeds of $76,000. An amount of $69,160 representing the fair value of the options exercised was transferred from contributed surplus to share capital.

(b) On January 25, 2017, the Company converted $1,184,000 in debt with 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 a further 2,500,000 Shares, and (c) $40,000 owed pursuant to a Right of First Refusal Waiver Agreement resulting in a further issuance of 200,000 Shares.

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.

(c) On September 15, 2017, as part of a brokered private placement the Company issued 102,882,800 common shares at $0.05 for gross proceeds of $5,144,140, and as part of a non-brokered private placement issued 3,268,900 common shares at $0.05 for gross proceeds of $163,445, amounting to total shares issued of 106,151,700 and for total gross proceeds of $5,307,585.

(d) On September 15, 2017 in connection with a rights offering, the Company raised gross proceeds of $1,063,751 through the issuance of 21,275,015 common shares at $0.05.

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

(e) 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 common shares were issued at $0.05 for $4,400,000. The secured credit transaction of $4,400,000 is comprised of the following amounts:

- $1,250,000 advances under the secured credit facility. *[see note 8a]*
- $1,000,000 secured debenture. *[see note 8d]*
- $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.
- $140,804 of subscriptions receivable relating to the private placements that was outstanding at September 30, 2017 *[see note 4]* These funds were received by the Company subsequent to end of the period.

On conversion of the $1,000,000 debenture, the value of the derivative liability of $538,125 was transferred from debt to share capital. *[see note 8d]*

(f) 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 10]*

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.

(g) 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.

(h) During the nine-month period ended September 30, 2017, 200,000 share options were exercised at a price of $0.10 a share for proceeds of $20,000. An amount of $45,500 representing the fair value of the options exercised was transferred from contributed surplus to share capital.

The Company incurred a total of $1,100,543 share issuance costs including broker fees, commissions, legal fees and corporate finance fees during the nine months ended September 30, 2017 relating to the private placements, rights offering, secured credit transaction and share for debt transactions.

(Expressed in Canadian dollars)

10. Warrants

All warrant numbers are represented retroactively after giving effect to the share exchanges completed as part of a Qualifying Transaction on November 10, 2014 as outlined in Note 3.

A summary of the status of the Company's warrants as at September 30, 2017 and December 31, 2016 is as follows:

	September 30 2017		**December 31 2016**	
	Number of warrants #	**Weighted average exercise price** $	**Number of warrants** #	**Weighted average exercise price** $
Balance, beginning of period	**1,325,411**	**0.86**	1,325,411	0.86
Granted on financing (a)	**107,713,358**	**0.20**	-	-
Balance, end of period	**109,038,769**	**0.21**	1,325,411	0.86

	September 30 2017		**December 31 2016**	
	Number of agent warrants #	**Weighted average exercise price** $	**Number of agent warrants** #	**Weighted average exercise price** $
Balance, beginning of period	**560,280**	**0.54**	560,280	0.54
Granted on financing (a)	**7,879,961**	**0.05**	-	-
Balance, end of period	**8,440,241**	**0.08**	560,280	0.54

a) 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 warrant entitles the holder to purchase one common share at price of $0.20 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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(Expressed in Canadian dollars)

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 common share and one-half of one warrant ("agent's unit warrants".) at a price of $0.05 for a period of 3 years from the issuance date; with an accelerated exercise provision attached to each agent 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 shares of the issuer exceeds $1.00, then the Company may elect to accelerate the expiry date by providing the broker's warrant holders, 30 days written notice together with the issue of a press release of the accelerated expiry date. Each agent's unit warrant is exercisable into a further Common Share for 2 years from the issue date at an exercise price of $0.20 per common share, and are also subject to the accelerated exercise provision.

The exercise price and expiry date of all warrants outstanding as at September 30, 2017 are as follows:

Warrants	Exercise Price		Expiry Date
1,159,911	$	0.50	November 27, 2019
648,000	$	1.25	December 2, 2017
77,780	$	1.25	December 2, 2020
107,713,358	$	0.20	September 15, 2019
7,879,961	$	0.05	September 15, 2020
117,479,010			

(Expressed in Canadian dollars)

11. Share Options

	September 30 2017		December 31 2016	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, beginning of period	**2,670,000**	**0.10**	5,305,000	0.11
Granted	**20,767,230**	**0.05**		-
Exercised	**(200,000)**	**(0.10)**	(760,000)	(0.10)
Expired	**(1,550,000)**	**(0.10)**	(1,875,000)	(0.12)
Balance, end of period	**21,687,230**	**0.08**	2,670,000	0.10

During 2016, 760,000 share options were exercised at a price of $0.10 for proceeds of $76,000. 1,775,000 share options at a price of $0.10 and 100,000 share options at a price of $0.50 totaling 1,875,000 share options expired.

Based on the financings completed on September 15, 2017, the Company granted stock options with respect to an existing management agreement. *[see note 13]* 20,767,230 share options were granted at an exercise price of $0.05 per share and 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.

Using the Black-Scholes model the Company recorded $93,914 of stock compensation expense during the nine months ended September 30, 2017 ($ nil - 2016).

In addition, during the nine months ended September 30, 2017 1,550,000 share options at a price of $0.10 expired, and 200,000 share options at $0.10 were exercised for proceeds of $20,000.

The following summarizes the shares options outstanding at September 30, 2017:

Number of Options #	Exercise Price $	Weighted average remaining life [years]
920,000	0.10	1.06
20,767,230	0.05	4.96
21,687,230		

12. Equity Portion of Convertible Debt

During 2016, the Company issued promissory notes totaling $644,000. The Company bifurcated the equity component from the financial liability component. The value of the financial liability was determined to be $545,763. The residual value of $98,237, net of deferred tax recovery of $26,030, for an amount of $72,207 was allocated to equity. *[see note 8c]*

On January 25, 2017, the Company converted the $644,000 in promissory notes at $0.16 per share resulting in the issuance of 4,025,000 Shares. *[see note 9b]* The residual value of $98,237 net of deferred tax recovery of $26,030 or $72,207 was transferred to share capital.

13. Commitments and Contingencies

Contingencies

In 2015, the Company was party to a claim made by a former officer and director related to share options held in escrow. While management reached a settlement with this individual the Company has included the payments owing in accounts payable in the amount of $60,000 on December 31, 2016 and $10,000 on September 30, 2017 and any unexercised options remain issued and outstanding.

In 2015, the Company was party to a claim made by a former officer related to salary, bonus and options. Management settled the claim on August 12, 2016 in the amount of $170,000 which has been paid in full as of September 30, 2017.

In 2016, the Company was party to a claim made by a former officer and a Company controlled by this officer who have sued based on a historical consulting services agreement. The Company disputes the amounts claimed, but did not have the financial resources available to defend this litigation in the ordinary course of business, and thus, this party has obtained a judgement in the total amount $345,539. (December 31, 2016 - $345,539) As a resolution to the judgement, the Company finalized a full and final settlement with this party for $120,000, of which $60,000 was paid in cash and $60,000 was settled by way of the issuance of 1,200,000 common shares at $0.05 included in shares for debt transaction of $366,991 on September 15, 2017. *[see note 9g]*.

Consulting Agreement

The Company entered an agreement with Topstone Research Inc. ("Topstone") on September 8, 2017 to provide clinical research. The value payment for services to Topstone in the agreement is approximately $1.686 million to be allocated over the 28-month span of the trial as the expenses are incurred. As at September 30, 2017, the Company paid Topstone $5,288.

Licensing Agreement

In 2015, the Company announced that it had formed a strategic alliance with Hemostemix Asia, Inc. ("HEMA"), a private, independent company based in Taipei, Taiwan. The agreement covered a manufacturing and commercial license to HEMA in Taiwan, China and South Korea.

On August 29, 2016, the Company announced that it has terminated this agreement with HEMA. HEMA initially sued the Company over the termination of this agreement and was seeking $50,000,000 in damages.

On August 17, 2017, the Company reached an agreement HEMA to definitively resolve all outstanding matters with HEMA including the litigation against the Company being carried on by HEMA. As part of the agreement, the Company has agreed to pay HEMA $217,000 was made by way of the issuance of 4,340,000 common shares in the capital of the Company at $0.05 and is included in the shares for debt transaction of $366,991 completed on September 15, 2017. *[see note 9g]*. HEMA has released all claims against the Company. HEMA's litigation has now been discontinued on a without costs basis and the strategic alliance between the Company and HEMA has been terminated.

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. *[see note 11]*

Under the terms of this agreement, Kyle Makofka was appointed as Chief Restructuring Officer.

14. 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.

The following includes all compensation to key management personnel:

The Company incurred $629,787 in consulting fees to the CFO of the Company and the management contractor, who is providing a Chief Restructuring Officer, Accountant and technical consultant among other services, during the nine-month period ended September 30, 2017 (September 30, 2016 - $363,686 in consulting fees to a director and officer and two other officers one of which is a former director). As at September 30, 2017, the Company has $96,019 in accounts payable and accrued liabilities owing to this management company and officer (December 31, 2016 - $194,698).

On January 25, 2017, the Company secured a credit facility providing and initial $750,000 in funding at an annual rate of 12% compounded and payable (interest only) monthly 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 9e]*.

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. The debenture is non-interest bearing and due

on September 2, 2019. On September 15, 2017, as part of a series of the secured credit transaction, this debenture was converted into common shares of the Company *[see note 9e]*.

Proceeds of $76,000 were received from the exercise of 760,000 share options from 2 former directors of the Company in 2016.

Proceeds from directors and shareholders in the form of promissory notes payable issued during 2016 amounted to $464,000. *[see note 8c]*.

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

16. Subsequent Events

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$140,804 of subscriptions receivable relating to the private placements was received by the Company subsequent to end of the period on October 31, 2017. *[see note 9e]*