AVAPECIA LIFE SCIENCES CORP.

Unaudited Condensed Interim Financial Statements

Three and nine months ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)

AVAPECIA LIFE SCIENCES CORP.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

May 30, 2016

AVAPECIA LIFE SCIENCES CORP.

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

	March 31, 2016 (unaudited)	June 30, 2015 (audited)
Assets		
Current assets:		
Cash and cash equivalent (note 5)	$ 184,263	$ 564,188
Sales tax and other receivables	19,916	8,911
Prepaid	1,225	12,458
	205,404	585,557
Non-current assets:		
Equipment (note 6)	$ 35,417	$ 72,917
Licenses (note 7 and 10)	3,665,171	2,677,911
	$ 3,905,992	$ 3,336,385
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (note 8(a))	$ 40,730	$ 37,134
Shareholders' equity:		
Share capital (note 4)	4,821,767	3,656,640
Contributed surplus	1,067,837	1,067,837
Accumulated deficit	(2,024,342)	(1,425,226)
	3,905,992	3,299,251
Corporate information and going concern (note 1)		
Commitments (note 11)		
	$ 3,905,992	$ 3,336,385

See accompanying notes to the condensed interim financial statements.

AVAPECIA LIFE SCIENCES CORP.

Condensed Interim Statement of Loss and 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 6 and 7)	$ 71,866	$ 49,591	$ 174,466	$ 148,773
General and administration (note 8)	73,689	4,685	173,072	7,449
Research and development (note 6 and 8)	62,500	22,500	187,500	24,583
Professional fees	3,467	21,650	65,788	52,843
Loss before the undernoted items	(211,522)	(98,426)	(600,826)	(233,648)
Interest income	997	-	1,710	-
Net loss and comprehensive loss for the period	$ (210,525)	$ (98,426)	$ (599,116)	$ (233,648)
Net loss per share basic and diluted (note 4(b))	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)

See accompanying notes to condensed consolidated interim financial statements.

AVAPECIA LIFE SCIENCES CORP.

Condensed Interim Statement 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	79,414,535	$ 2,902,890	$ 1,067,837	$ (1,102,357)	$ 2,868,370
Issuance of common shares	3,000,000	150,000	-	-	150,000
Issuance of common shares	4,830,000	603,750	-	-	603,750
Net loss for the period	-	-	-	(233,648)	(233,648)
Balance March 31, 2015	87,244,535	$ 3,656,640	$ 1,067,837	$ (1,336,005)	$ 3,388,472

Nine months ended March 31, 2016

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Total
Balance June 30, 2015	87,244,535	$ 3,656,640	$ 1,067,837	$ (1,425,226)	$ 3,299,251
Acquisition of Liberty Biopharma (Note 10)	58,256,366	1,165,127	-	-	1,165,127
Net loss for the period	-	-	-	(599,116)	(599,116)
Balance March 31, 2016	145,500,901	$ 4,821,767	$ 1,067,837	$ (2,024,342)	$ 3,865,262

See accompanying notes to condensed interim financial statements.

AVAPECIA LIFE SCIENCES CORP.

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

	Nine months ended	
	March 31, 2016	March 31, 2015
Cash (used in) provided by:		
Operations:		
Net loss for the period	$ (599,116)	$ (233,648)
Non-cash item:		
Amortization	174,466	148,773
Amortization included in R&D	37,500	14,583
Changes in non-cash operating working capital:		
Sales tax receivable and other receivable	(11,005)	(8,430)
Prepaid	11,233	-
Accounts payable and accrued liabilities	3,596	38,972
Cash used in operating activities	(383,326)	(39,750)
Investing:		
Acquisition of equipment	$ -	$ (100,000)
Cash acquired on acquisition of Liberty Biopharma	3,401	-
Cash provided by (used in) financing activities	3,401	(100,000)
Financing:		
Issuance of common shares	$ -	$ 753,750
Cash provided by financing activities	-	753,750
(Decrease) increase in cash	(379,925)	614,000
Cash, beginning of period	564,188	2,528
Cash, end of period	$ 184,263	$ 616,528
Supplemental disclosures:		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to condensed interim financial statements.

1. Corporate information and going concern:

Avapecia Life Sciences Corp., ("Avapecia" or "the Company") was incorporated on January 10, 2014 under the *Business Corporations Act* (British Columbia). The Company's office is located at #2270 – 8788 McKim Way, Richmond, British Columbia and the Company's common shares are currently traded on the Canadian Securities Exchange ("CSE") under the symbol "VVS".

Avapecia is a biotechnology company engaged in the research, development and commercializing of regenerative stem cell technologies and therapy solutions for use in urogynaecology, urology, hair loss (prevention, maintenance, and regeneration), gastrointestinal diseases, respiratory medicine, neurodegenerative diseases, ophthalmology, spinal cord injuries and certain autoimmune diseases. Avapecia's bioprocessing platform provides third party validated standardized isolation of safe, high quality, viable, and potent stem cells from a patient's own fat, or adipose tissue, for use in current and future cell therapy applications.

The Company coordinates certain research through Oceans Five-O Development Corp. ("Oceans Five-O"), a private Canadian biotechnology licensing company that is controlled by shareholders who collectively hold more than 20% of the Company's outstanding shares.

These financial statements have been prepared using the going concern assumption, which assumes that the Company will be in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. During the three and nine months ended March 31, 2016, the Company was not able to finance its day to day activities through its operations, had an accumulated deficit of $2,024,342, and had recurring losses since inception. These conditions raise significant doubt about the Company's ability to continue as a going concern.

The success of the Company is dependent upon its ability to raise adequate financing and to develop profitable operations in the future. The application of the going concern concept is dependent on the Company's ability to receive financial support from its shareholders, successfully raise external financing and ultimately achieve profitable operations. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they come due.

There can be no assurances that the Company will be successful in raising cash to finance operations or that the support of shareholders will be available. The 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:

These unaudited condensed interim financial statements were approved and authorized for issue by the board of directors on May 30, 2016.

2. Basis of preparation (continued):

(a) Statement of compliance:

These condensed interim financial statements for the three and nine months ended March 31, 2016 and 2015 have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These condensed interim financial statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. These condensed interim financial statements should be read in conjunction with the most recent audited annual financial statements of the Company for the year ended June 30, 2015.

(b) Basis of measurement:

These unaudited condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable, and are presented in Canadian dollars, which is the Company's functional currency.

(c) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

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 determination of a business, the allocation of purchase consideration to acquired assets and assumed liabilities, the expensing of research and development costs, the amortization and impairment of intangible assets, and the determination of related parties.

3. Significant accounting policies:

The accompanying financial information reflects the same accounting policies and methods of application as those relied on in the Company's audited financial statements for the year ended June 30, 2015.

(Expressed in Canadian dollars)

4. Share capital:

(a) Authorized share capital:

Unlimited voting, participating common shares, with no par value

(b) 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	$ (210,525)	$ (98,426)	$ (599,116)	$ (233,648)
Weighted average number of common shares outstanding	145,500,901	87,244,535	108,852,351	84,619,973
Net loss per share basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)

(c) On December 18, 2015, pursuant to a share exchange agreement, 58,256,366 common shares were issued for all of the outstanding shares of Liberty Biopharma (note 10).

5. Cash and cash equivalent:

Cash and cash equivalent consist of the following:

	March 31, 2016	June 30, 2015
Cash	$ 34,263	$ 64,188
Cash equivalent – term deposit	150,000	500,000
	$ 184,263	$ 564,188

The term deposit is a redeemable guaranteed income certificate with an interest of 0.85% per annum.

(Expressed in Canadian dollars)

6. Equipment and research expenditure:

The continuity of the Company's equipment is as follows:

Equipment			Accumulated amortization			Net
June 30, 2015	Addition	March 31, 2016	June 30, 2015	Addition	March 31, 2016	March 31, 2016
$	$	$	$	$	$	$
100,000	-	100,000	27,083	37,500	64,583	35,417

The Company's equipment consisted of four research beta systems with a total cost of $100,000 that is being amortized over 24 months from the date of acquisition. These beta systems were acquired from Oceans Five-O. During the nine months ended March 31, 2016, the Company recorded $37,500 amortization, which has been fully charged to the Company's research expenditure.

The continuity of the Company's research expenditures is as follows:

	June 30, 2015	Addition	March 31, 2016
	$	$	$
Amortization of equipment used in research	27,083	37,500	64,583
Research work performed by Oceans Five-O	10,000	150,000	160,000
Total	37,083	187,500	224,583

7. Licenses:

As at March 31, 2016, the Company had the following three licenses in connection with the Company's main business, which were acquired during fiscal 2014 (990717 and 990719) and fiscal 2015 (Liberty Biopharma). The Company amortizes these licenses on a straight-line basis over the life of these licenses. Continuity is as follows:

(Expressed in Canadian dollars)

7. Licenses (continued):

March 31, 2016	Cost	Accumulated amortization	Net
990717-License	$1,035,342	$132,735	$902,607
990719-License	$1,865,728	$239,197	$1,626,531
Liberty Biopharma-License	$1,161,725	$25,693	$1,136,032
Total	$4,062,795	$397,625	$3,665,170

All the 990717-License, 990719-License, and Liberty Biopharma-license will expire on the later of:

(a) December 31, 2028;

(b) the expiry of final determination of invalidity of the last valid claim within the licensed patent that cover the making, using, offering for sale, selling or importing of the license product under these license agreements.

These licenses can be terminated at anytime by Oceans Five-O if the Company breaches the terms set forth in the licensing agreement, or can be terminated by the Company by giving a 60-day notice to Oceans Five-O without reason.

8. Related party transactions:

Related parties include shareholders with a significant ownership interest in the Company, 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.

(a) Balances with related parties:

	March 31, 2016	June 30, 2015
Accounts payable and accrued liabilities	$ 10,341	$ 162
Loan receivable	745	-

(Expressed in Canadian dollars)

8. Related party transactions (continued):

(b) Transactions during the three and nine months ended March 31, 2016 with Oceans Five-O a company that is controlled by shareholders who collectively hold more than 20% of the Company's outstanding shares:

	Three months ended		Nine months ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Rent (included in General and administration)	$ 4,500	$ -	$ 13,500	$ -
Accounting (included in General and administration)	3,000	-	9,000	-
Business development and marketing support (included in General and administration)	23,326	-	43,326	-
Research and development	50,000	-	150,000	-
Management fee (included in General and administration)	$ 26,192	$ -	$ 26,192	$ -

(c) Compensation of key management personnel:

During the nine months ended March 31, 2016, the Company paid a company controlled by the Company's former CFO (Jason Fuller) $36,000 (2015 - $Nil).

9. Financial instruments:

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1: observable inputs such as quoted prices in active markets;

Level 2: inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

(Expressed in Canadian dollars)

9. Financial instruments (continued):

Level 3: unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptionsAs at March 31, 2016, the Company's financial instrument consisted of $184,263 cash (June 30, 2015 - $564,188), $19,171 sales tax receivable (June 30, 2015 – $8,911), loan receivable $745 (June 30, 2015 - $0), and $40,730 accounts payable (June 30, 2015 - $37,134) of which the carrying amounts approximate their fair values due to their short-term nature.

As at March 31, 2016, the Company's only financial instrument that is measured in fair value was $184,263 cash (June 30, 2015 - $564,188), which is a level 1 financial instrument.

10. Acquisition of Liberty Biopharma Inc. and Commitments:

On December 18, 2015, Avapecia acquired Liberty Biopharma Inc. ("Liberty Biopharma"), a private company incorporated in the Province of British Columbia via a share exchange transaction.

Management has determined that this transaction does not qualify as a business combination. Accordingly it was accounted for as an acquisition of assets. The fair value of the purchased assets was measured using the fair value of the issued Avapecia common shares on the transaction date.

Liberty Biopharma holds a license agreement with Oceans Five-O, for the use of patented and patent-pending automated bioprocessing and cell isolation technology for use in female pelvic medicine and reconstructive surgery (also known as Urogynaecology).

The License requires quarterly payments of $5,000 from January 1, 2018 to December 31, 2019. From January 1, 2020 to December 31, 2028, the payment increases to $10,000 per quarter, plus 3% of all net sales and 30% of any sublicensing revenue related to the sale of the products protected by the patent. Payment is due on the first day of each quarter. Oceans Five-O is a related party to the Company (note 8).

The following table summarizes the fair value of Liberty Biopharma's identifiable assets and liabilities acquired at the date of acquisition:

Net assets and liabilities acquired:		
Cash	$	10,680
Loan receivable		745
Trade and other payables		(8,023)
License for female pelvic medicine and reconstructive surgery		1,161,725
Total	$	1,165,725
Consideration paid:		
Share capital	$	1,165,127

11. Commitments:

License of patent:

On January 18, 2016, the Company amended the license agreement with Oceans Five-O, a company with common founding shareholders, to expand the worldwide exclusive license (except China) of the same patented and patent-pending automated bioprocessing and cell isolation technology, for use in urology, gastrointestinal diseases, respiratory medicine, neurodegenerative diseases, ophthalmology, spinal cord injuries and certain autoimmune diseases.

Under the terms of the expanded agreement, the expanded fields will have a minimum royalty rate of 3% increasing to a maximum rate of 9.8% of net revenues by 2020.