AVAPECIA LIFE SCIENCES CORP.

Unaudited Condensed Interim Financial Statements

Three months ended September 30, 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.

November 21, 2016

AVAPECIA LIFE SCIENCES CORP.

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

	September 30, 2016 (unaudited)	June 30, 2016 (audited)
Assets		
Current assets:		
Cash	$ 5,209	$ 23,904
Sales tax receivable	27,376	26,358
Prepaid	9,119	13,076
	41,704	63,338
Non-current assets:		
Equipment (note 5)	$ 10,417	$ 22,917
Licenses (note 6)	3,521,438	3,593,304
	$ 3,573,559	$ 3,679,559
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (note 7(a))	$ 122,855	$ 39,465
Shareholders' equity:		
Share capital (note 4)	4,821,767	4,821,767
Contributed surplus	1,067,837	1,067,837
Accumulated deficit	(2,438,900)	(2,249,510)
	3,450,704	3,640,094
Corporate information and going concern (note 1)		
Subsequent events (note 9)		
	$ 3,573,559	$ 3,679,559

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	
	September 30, 2016	September 30, 2015
Expenses:		
Amortization (note 5 and 6)	$ 71,866	$ 49,591
General and administration (note 7)	54,250	46,474
Research and development (note 5 and 7)	57,500	62,500
Professional fees	5,774	21,071
Loss before the undernoted items	(189,390)	(179,636)
Interest income	-	263
Net loss, which is the comprehensive loss for the period	$ (189,390)	$ (179,373)
Loss per share, basic and diluted (note 4(b))	$ (0.00)	$ (0.00)

See accompanying notes to the condensed interim financial statements.

AVAPECIA LIFE SCIENCES CORP.

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

Three months ended September 30, 2015

	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
Net loss for the period	-		-		-		(179,373)		(179,373)
Balance September 30, 2015	87,244,535	$	3,656,640	$	1,067,837	$	(1,604,599)	$	3,119,878

Three months ended September 30, 2016

	Number of shares		Share capital		Contributed surplus		Accumulated deficit		Total
Balance June 30, 2016	145,500,900	$	4,821,767	$	1,067,837	$	(2,249,510)	$	3,640,094
Net loss for the period	-		-		-		(189,390)		(189,390)
Balance September 30, 2016	145,500,900	$	4,821,767	$	1,067,837	$	(2,438,900)	$	3,450,704

See accompanying notes to condensed interim financial statements.

AVAPECIA LIFE SCIENCES CORP.

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

	Three months ended	
	September 30, 2016	September 30, 2015
Cash used in:		
Operations:		
Net loss for the period	$ (189,390)	$ (179,373)
Non-cash item:		
Amortization	84,366	62,091
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	83,390	(3,410)
Prepaid	3,957	3,758
Sales tax receivable	(1,018)	(6,410)
Cash used in operating activities	(18,695)	(123,344)
Decrease in cash	(18,695)	(123,344)
Cash, beginning of period	23,904	564,188
Cash, end of period	$ 5,209	$ 440,844
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 urogynecology, urology, hair loss (prevention, maintenance, and regeneration), gastrointestinal diseases, respiratory medicine, neurodegenerative diseases, ophthalmology, spinal cord injuries, certain autoimmune diseases and osteoarthritis. 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 months ended September 30, 2016, the Company was not able to finances its day to day activities through its operations, had an accumulated deficit of $2,438,900, 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 November 21, 2016.

2. Basis of preparation (continued):

(a) Statement of compliance:

These condensed interim financial statements for the three months ended September 30, 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, 2016.

(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 asset, 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, 2016

(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 September 30, 2016		Three months ended September 30, 2015
Loss for the period	$	(189,390)	$	(179,373)
Weighted average number of common shares outstanding		145,500,900		87,244,535
Loss per share, basic and diluted	$	(0.00)	$	(0.00)

5. Equipment and research expenditure:

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

Equipment			Accumulated amortization			Net
June 30, 2016	Addition	September 30, 2016	June 30, 2016	Addition	September 30, 2016	September 30, 2016
$	$	$	$	$	$	$
100,000	-	100,000	77,083	12,500	89,583	10,417

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 three months ended September 30, 2016, the Company recorded $12,500 amortization, which has been fully charged to the Company's research expenditure.

(Expressed in Canadian dollars)

5. Equipment and research expenditure (continued):

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

	June 30, 2016	Addition	September 30, 2016
	$	$	$
Amortization of equipment used in research	77,083	12,500	89,583
Research work performed	225,852	45,000	270,852
Total	302,935	57,500	360,435

6. Licenses:

As at September 30, 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:

		Cost		Accumulated amortization		Net
990717-License	$	1,035,342	$	168,131	$	867,211
990719-License		1,865,728		302,983		1,562,745
Liberty Biopharma-License		1,161,725		70,243		1,091,482
Total	$	4,062,795	$	541,357	$	3,521,438

On January 18th, 2016 the Company amended and restated the license agreements with Oceans Five-O, a company with common founding shareholders, to expand the worldwide exclusive license (except China) for use in urology, gastrointestinal diseases, respiratory medicine, neurodegenerative diseases, ophthalmology, spinal cord injuries, and certain autoimmune diseases. The amended license agreement, which also restates the terms of the 990717-License, 990719- License, and Liberty Biopharma-license, will now expire on the later of:

(a) December 1, 2030;

(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.

(Expressed in Canadian dollars)

6. Licenses (continued):

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.

7. 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:

	September 30, 2016	June 30, 2016
Accounts payable and accrued liabilities	$ 82,000	$ 66
Loan receivable	745	745

(b) Transactions during the three months ended September 30, 2016 with Oceans 5-O a company that is controlled by shareholders who collectively hold more than 20% of the Company's outstanding shares:

	September 30, 2016	September 30, 2015
Rent (included in general and administration)	$ 9,000	$ 4,500
Office & Accounting (included in general and administration)	4,500	3,000
Business development and marketing support (included in general and administration)	10,500	6,500
Research and development	45,000	50,000
Management fee (included in general and administration)	23,086	-
	$ 92,086	$ 64,000

8. 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

Level 3: unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As at September 30, 2016, the Company's financial instrument consisted of $5,209 cash (June 30, 2016 - $23,904), $27,376 sales tax receivable (June 30, 2016 – $27,358), and $122,855 accounts payable (June 30, 2015 - $39,465) of which the carrying amounts approximate their fair values due to their short-term nature.

As at September 30, 2016, the Company's only financial instrument that is measured in fair value was $5,209 cash (June 30, 2015 - $23,904), which is a level 1 financial instrument.

9. Subsequent events:

(a) License agreement with Oceans Ingenuity Inc.:

On October 24, 2016, the Company announced that it has entered into a license agreement with Oceans Ingenuity Inc. for enrichment technology for the field of osteoarthritis in the United States, Taiwan and Canada.

Under the terms of the license agreement, the minimum royalties will be 3% of net sales from October 24, 2016 to December 31, 2017; 7.5% from January 1, 2018 to December 31, 2019; and 9.8% from January 1, 2020 to the term end date of December 1, 2030.

Oceans Ingenuity Inc. is a related licensing company with certain shareholders, directors and officers in common.

(b) Amalgamation agreement with Avagenesis Corp.:

On November 10, 2016, the Company announced it has entered into an amalgamation agreement with Avagenesis Corp. ("Avagenesis") to merge the two Companies. Pursuant to the Agreement, Avagenesis shareholders will receive one post-amalgamation common share in exchange for each Avagenesis common share held. Avapecia shareholders will receive one post-amalgamation common share in exchange for every three (3) Avapecia common share held. Avagenesis is a related party of Avapecia by virtue of certain common directors and common controlling shareholders.

Completion of the transaction is subject to a number of conditions, including the respective stock exchange approvals (TSXV and CSE), disinterested shareholder approval from Avagenesis and Avapecia and the delivery of closing documents. The transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.