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

LIBERTY BIOPHARMA INC.
(FORMERLY AVAGENESIS CORP.)

Three and six months ended December 31, 2016 and 2015

LIBERTY BIOPHARMA INC.
(FORMERLY AVAGENESIS CORP.)
Restated Condensed Consolidated Interim Statements of Financial Position (note 6)
(Expressed in Canadian dollars)
(Unaudited)

	December 31, 2016	June 30, 2016
Assets		
Cash	$ 227,258	$ 113,687
Sales taxes receivable and other	52,073	31,503
	279,331	145,190
Intangible asset (note 3)	4,425,395	1,016,482
	$ 4,704,726	$ 1,161,672
Liabilities and Shareholders' Equity		
Trade and other payables (note 5)	$ 722,733	$ 559,790
Due to related party (note 5)	10,937	-
	733,670	559,790
Shareholders' equity:		
Share capital	13,978,919	10,042,907
Accumulated deficit	(10,007,863)	(9,441,025)
	3,971,056	601,882
Corporate information and going concern (note 1)		
	$ 4,704,726	$ 1,161,672

See accompanying notes to restated condensed consolidated interim financial statements.

LIBERTY BIOPHARMA INC.
(FORMERLY AVAGENESIS CORP.)
Restated Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended		Six months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Expenses:				
Amortization (note 3)	$ 20,329	$ 20,329	$ 40,659	$ 40,659
General and administration (note 5)	209,479	204,969	355,371	412,892
Research and development (note 5)	55,371	158,576	170,371	356,576
Loss before the undernoted items	(285,179)	(383,874)	(566,401)	(810,127)
Interest income	-	65	-	65
Foreign exchange gain (loss)	537	4,762	(437)	5,785
Net loss and comprehensive loss for the period	$ (284,642)	$ (379,047)	$ (566,838)	$ (804,277)
Net loss per share basic and diluted (note 4(c))	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

See accompanying notes to restated condensed consolidated interim financial statements.

LIBERTY BIOPHARMA INC.
(FORMERLY AVAGENESIS CORP.)
Restated Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (note 6)
(Expressed in Canadian dollars)
(Unaudited)

Six months ended December 31, 2016 and 2015

	Number of shares	Share capital	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	428,650	342,920	-	342,920
Issuance of common shares non-brokered	200,000	160,000	-	160,000
Net loss	-	-	(804,277)	(804,277)
Balance December 31, 2015	53,017,371	$ 9,942,907	$ (9,011,711)	$ 931,196
Balance, June 30, 2016	53,280,529	$ 10,042,907	$ (9,441,025)	$ 601,882
Issuance of common shares non-brokered (note 4(b))	2,734,380	683,595	-	683,595
Acquisition of Avapecia Life Sciences Corp. - as restated (note 6)	48,500,454	3,252,417	-	3,252,417
Net loss	-	-	(566,838)	(566,838)
Balance December 31, 2016	104,515,363	$ 13,978,919	$ (10,007,863)	$ 3,971,056

See accompanying notes to restated condensed consolidated interim financial statements.

LIBERTY BIOPHARMA INC.
(FORMERLY AVAGENESIS CORP.)
Restated Unaudited Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Six months ended December 31, 2016	Six months ended December 31, 2015
Cash (used in) provided by:		
Operations:		
Net loss for the period	$ (566,838)	$ (804,277)
Items not involving cash		
Amortization	40,659	40,659
Amortization of prepaid expenses	5,162	-
Changes in non-cash working capital:		
Sales tax receivable and other receivables	(16,935)	39,744
Trade payables and accrued liabilities	(31,898)	(26,981)
Cash used in operating activities	(569,850)	(750,855)
Investing:		
Cash acquired on acquisition of Avapecia (note 6)	6,823	-
Cash provided by financing activities	6,823	-
Financing:		
Due to related party	(6,997)	-
Issuance of common shares	683,595	502,920
Deposit for future subscription	-	(162,920)
Cash provided by financing activities	676,598	340,000
Increase (decrease) in cash and cash equivalents	113,571	(410,855)
Cash and cash equivalents, beginning of period	113,687	489,000
Cash and cash equivalents, end of period	$ 227,258	$ 78,145

Non-cash transaction (note 6)

See accompanying notes to restated condensed consolidated interim financial statements.

1. Corporate information and going concern:

Avagenesis Corp., ("Avagenesis") was incorporated on December 10, 2010 under the *Business Corporations Act* (British Columbia) and continued into Alberta, Canada on February 10, 2011. On December 31, 2016, Avagenesis completed an amalgamation arrangement with Avapecia Life Sciences Corp. ("Avapecia") and will continue the business of both Avapecia and Avagenesis under the new name, Liberty Biopharma Inc. ("Liberty Biopharma" or the "Company"). Avagenesis is considered to have acquired the net assets of Avapecia and the consolidated financial statements of the amalgamated company are a continuation of the consolidated financial statements of Avagenesis (See Note 6).

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

The Company is a clinical stage biopharmaceutical company developing and commercializing regenerative stem cell technologies and therapeutic solutions for independence and quality of life. The Company's business focus is on the significant unmet clinical need in numerous indications including osteoarthritis, wound management, autoimmune diseases and erectile dysfunction.

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 December 31, 2016, the Company had an accumulated deficit of $10,007,863.

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 the Company 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 audited consolidated financial statements of Avagenesis for the year ended June 30, 2016. 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 statements. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of Avagenesis for the year ended June 30, 2016.

These restated condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 25, 2017. See note 6 for information on the restatement to the previously issued condensed consolidated interim financial statements as at and for the three and six months ended December 31, 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 assets, and the determination of related parties.

3. Intangible assets:

Licenses that are acquired by the Company in an acquisition that have a finite useful life are measured at acquisition cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the license from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The Company continually evaluates the remaining useful life of its intangible asset being amortized to determine whether events and circumstances warrant a revision to the remaining period of amortization.

(Expressed in Canadian dollars)

3. Intangible assets (continued):

As at December 31, 2016, the Company had the following intangible assets:

	Cost	Accumulated amortization	Net
License for burn management	$1,121,695	$145,872	$975,823
Avapecia license – as restated (note 6)	3,449,572	-	3,449,572
	$4,571,267	$145,872	$4,425,395

Intangible assets with finite lives are currently amortized over the following periods:

	Estimated useful life
License for burn management	13 years
Avapecia license	11.5 years

At December 31, 2016, the Company did not have any indefinite life intangible assets.

The Avapecia license was acquired from Avapecia Life Sciences Corp. as part of the amalgamation (See Note 6) and 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 patents that cover the making, using, offering for sale, selling or importing of the licensed product under these license agreements.

These licenses can be terminated at any time if the Company breaches the terms set forth in the licensing agreement, or can be terminated without reason by the Company by giving 60-day's notice.

4. Shareholders' equity:

(a) Share capital:

Authorized:

Unlimited voting, participating common shares, with no par value

Unlimited preferred shares, issuable in series

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.

(Expressed in Canadian dollars)

4. Shareholders' equity (continued):

(b) Issuance of common shares:

On October 17, 2016, the Company closed the first tranche of its non-brokered private placement, which consisted of the issuance of 922,380 common shares at a price of $0.25 per common share, for gross proceeds of $230,595 of which, $100,000 was invested by officers of the Company.

On November 14, 2016, the Company closed the final tranche of its non-brokered private placement, which consisted of the issuance of 1,412,000 common shares at a price of $0.25 per common share, for gross proceeds of $353,000.

On December 1, 2016, the Company closed another non-brokered private placement, which consisted of the issuance of 400,000 common shares at a price of $0.25 per common share, for gross proceeds of $100,000.

On December 31, 2016, Avagenesis completed an amalgamation arrangement with Avapecia (see Note 1) and issued a total of 104,515,363 common shares to shareholders of Avagenesis and Avapecia (see Note 6).

(c) Earnings per share computation:

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

	Three months ended		Six months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Loss for the period	$ (284,642)	$ (379,047)	$ (566,838)	$ (804,277)
Weighted average number of common shares outstanding	55,441,151	53,017,371	54,360,840	52,915,344
Net loss per share basic and diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

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.

(Expressed in Canadian dollars)

5. Related party transactions (continued):

(a) Balances with related parties:

	December 31 2016	June 30 2016
Trade and other payables	$ 676,004	$ 540,138
Due to related party - Ocean Five-O	$ 10,937	$ -

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

	Three months ended		Six months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Licensing fees (included in Research and development)	$ 50,000	$ 50,000	$ 100,000	$ 100,000
Management fees (included in General and administration)	$ 97,848	$ 104,369	$ 197,467	$ 248,313
Research and development	$ 5,371	$ 108,576	$ 70,371	$ 256,576

6. Amalgamation and purchase price adjustment:

On December 31, 2016, Avagenesis completed an amalgamation arrangement with Avapecia (the “Transaction”). The Transaction fair value of the purchased net assets was measured, on a preliminary basis, using the value of the issued Avagenesis common shares on the Transaction date.

Avagenesis shareholders were issued one post-amalgamation Liberty Biopharma common share in exchange for each Avagenesis common share held, for a total issuance of 56,014,909 shares or 53.59% of the total number of Liberty Biopharma shares outstanding. Avapecia shareholders were issued one post-amalgamation Liberty Biopharma common share in exchange for every three Avapecia common shares held, for a total issuance of 48,500,454 shares or 46.41% of the total number of Liberty Biopharma shares outstanding.

6. Amalgamation and purchase price adjustment (continued):

As the Avagenesis shareholders hold more than 50% of the total number of Liberty Biopharma shares post-amalgamation, Avagenesis is considered as the controlling entity. After consideration of IFRS 3, *Business Combinations*, the Transaction does not constitute a business combination since Avapecia has not yet demonstrated the ability to continue as a business for the purpose of providing economic benefit to its shareholders and thus does not meet the definition of a business under the standard. As a result, the Transaction is accounted for as an asset acquisition with Avagenesis being identified as the acquirer, and with the Transaction being measured as if Avagenesis had issued 48,500,454 common shares to complete the acquisition at the value ascribed to the equity consideration issued by Avagenesis.

On a preliminary basis in the originally issued condensed consolidated interim financial statements made available to shareholders and filed with securities regulatory stakeholders in Canada on February 20, 2017, the Company used the closing price of Avagenesis shares of $0.345 per share on December 30, 2016 (the last trading day prior to the amalgamation) to the 48,500,454 shares issued by Avagenesis to acquire Avapecia which resulted in a preliminary fair value of the consideration issued of $16,732,604. This preliminary fair value was assigned to the net assets of Avapecia and an amount of $16,929,759 was ascribed to the intangible assets acquired.

Upon completing additional review of the Transaction during the quarter ending March 31, 2017, the Company determined that it was necessary to revise its preliminary estimate of the fair value assigned to the shares issued to equal the carrying value of the net assets in Avapecia's accounting records immediately prior to the transaction of $3,252,417. As a result, the Company has adjusted the amounts previously recorded to decrease the value ascribed to the intangible assets by $13,480,187 and to correspondingly decrease share capital by $13,480,187. As a result, the Company has re-stated its December 31, 2016 interim consolidated financial statements. This change had no impact on amounts previously disclosed in the condensed consolidated statements of comprehensive loss and cash flows for the periods ended December 31, 2016.

These changes stemmed from additional analysis performed by the Company with respect to the inputs used in initially establishing the purchase consideration. The Company will continue to evaluate any additional new information that may potentially affect the Transaction value that becomes available.

The following table summarizes the restated fair value of the consideration transferred and the purchase price allocation based on the estimated fair values of the assets acquired and liabilities assumed at the acquisition date of Avapecia:

6. Amalgamation and purchase price adjustment (continued):

Net assets acquired:		
Cash	$	6,823
Receivables		3,635
Prepaids		5,162
Avapecia License		3,449,572
Net liabilities assumed:		
Payables and accruals	$	(194,841)
Due to related parties		(17,934)
Total	$	3,252,417
Consideration paid:		
Share capital	$	3,252,417

Information on the intangibles acquired is included in note 3.