



Lattice Biologics Ltd.
(formerly Blackstone Ventures Inc.)

Condensed Interim Consolidated Financial Statements
(Unaudited)
2016 Second Quarter
For the Quarter Ended March 31, 2016
(Expressed in US dollars)

To the Shareholders of Lattice Biologics Ltd. (formerly Blackstone Ventures Inc.):

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor

The accompanying unaudited condensed interim consolidated financial statements have been prepared by the Company's management and approved by the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

May 26, 2016

Lattice Biologics Ltd.
(formerly Blackstone Ventures Inc.)
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in US dollars)
As at

	March 31, 2016 (Unaudited)	September 30, 2015 (Audited)
Assets		
Current Assets		
Cash	\$ 517,635	\$ 50,293
Accounts receivable (Note 6)	751,378	762,694
Prepaid expenses and deposits	23,785	33,361
Inventory (Note 5)	2,232,390	2,955,642
	<u>3,525,188</u>	<u>3,801,990</u>
Property and equipment (Note 3)	622,083	645,676
Intangible assets (Note 4)	751,683	948,716
Goodwill	606,428	606,428
	<u>\$ 5,505,382</u>	<u>\$ 6,002,810</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 3,284,725	\$ 2,633,314
Current portion of finance lease obligation (Note 9)	32,422	62,722
Factoring advances (Note 10)	252,067	268,614
Current portion of notes payable (Note 12)	2,181,921	1,782,060
Royalty payable (Note 14)	625,000	437,500
	<u>6,376,135</u>	<u>5,184,210</u>
Finance lease obligation (Note 9)	-	15,908
Investor loans (Note 11)	1,302,922	1,032,219
Notes payable (Note 12)	550,000	238,841
Convertible notes (Note 13)	-	988,100
Royalty funding (Note 14)	2,248,793	2,436,293
	<u>10,477,850</u>	<u>9,895,571</u>
Shareholders' Equity (Deficiency)		
Share capital (Note 15)	\$ 4,929,192	\$ 913,845
Warrant reserve (Note 15)	(92,330)	-
Deficit	(9,809,330)	(4,806,606)
	<u>(4,972,468)</u>	<u>(3,892,761)</u>
	<u>\$ 5,505,382</u>	<u>\$ 6,002,810</u>

Nature of Business and Going Concern (Note 1)
Commitments and Contingencies (Note 18)

Approved by the Board

Cheryl Farmer

Director (Signed)

Guy Cook

Director (Signed)

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

Lattice Biologics Ltd.
(formerly Blackstone Ventures Inc.)
Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in US dollars)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
Revenue	\$ 1,006,975	\$ 1,065,795	\$ 2,072,629	\$ 2,236,417
Cost of sales	733,290	877,810	1,487,986	1,843,438
Gross profit	273,685	187,985	584,643	392,979
Operating expenses				
Depreciation	112,862	112,538	225,724	222,079
General and administrative	277,054	143,965	469,860	366,766
Professional fees	68,202	40,045	193,935	56,973
Rent	71,698	65,730	145,247	137,384
Salaries	487,616	313,281	812,636	617,828
Sales and marketing	203,128	96,606	421,390	204,980
Utilities	15,903	16,871	37,645	39,136
	1,236,463	789,036	2,306,437	1,645,146
	(962,778)	(601,054)	(1,721,794)	(1,252,167)
Other (income) expenses				
Interest and finance charges	186,484	167,926	471,923	259,064
Loss on convertible note revaluation (<i>Note 13</i>)	-	-	61,900	-
Share based payments (<i>Note 15</i>)	-	-	1,081,161	-
Listing expense	-	-	1,461,901	-
Royalty	110,295	106,251	204,045	231,252
Total other (income) expenses	296,779	274,177	3,280,930	490,316
Net loss and comprehensive loss	\$ (1,259,557)	\$ (875,228)	\$ (5,002,724)	\$ (1,742,483)
Basic and diluted loss per share	\$ (0.03)	\$ (58.02)	\$ (0.19)	\$ (97.94)
Basic and diluted weighted average number of shares	48,437,557	15,084	26,088,902	17,792

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

Lattice Biologics Ltd.
(formerly Blackstone Ventures Inc.)
Unaudited Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in US dollars)

	Number of shares	Number of warrants	Share capital	Warrant reserve	Deficit	Total equity (Deficiency)
September 30, 2014	20,500	-	\$ 1,430,000	\$ -	\$ (668,934)	\$ 761,066
Shares issued	2,775	-	100,000	-	-	100,000
Shares repurchased	(9,400)	-	(655,707)	-	(79,906)	(735,613)
Net loss for the Period	-	-	-	-	(1,742,483)	(1,742,483)
Balance at March 31, 2015	13,875	-	\$ 874,293	\$ -	\$ (2,491,323)	\$ (1,617,030)
Shares issued	824	-	39,552	-	-	39,552
Net loss for the Period	-	-	-	-	(2,315,283)	(2,315,283)
Balance at September 30, 2015	14,699	-	\$ 913,845	\$ -	\$ (4,806,606)	\$ (3,892,761)
Share consolidation	(1,987)	-	-	-	-	-
Shares issued	1,987	-	1,081,161	-	-	1,081,161
Reverse takeover adjustment	39,607,192	-	837,230	-	-	837,230
Shares issued	10,127,350	-	2,009,765	-	-	2,009,765
Warrants issued	-	3,962,658	87,191	(92,330)	-	(5,139)
Net loss for the Period	-	-	-	-	(5,002,724)	(5,002,724)
Balance at March 31, 2016	49,749,241	3,962,658	\$ 4,929,192	\$ (92,330)	\$ (9,809,330)	\$ (4,972,468)

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

Lattice Biologics Ltd.
(formerly Blackstone Ventures Inc.)
Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Expressed in US dollars)
For the six month period ending

	March 31, 2016	March 31, 2015
Cash provided by (used in)		
Operations		
Net loss	\$ (5,002,724)	\$ (1,742,483)
Items not affecting cash		
Depreciation of property and equipment	28,692	(30,402)
Depreciation of intangibles	197,033	197,033
Bad debt	13,042	-
Finance lease interest	7,451	11,641
Debt interest	471,723	88,488
Loss on convertible note revaluation	61,900	-
Listing expense	837,230	-
Share based payments	1,081,161	-
	(2,304,492)	(1,475,723)
Net change in non-cash working capital		
Accounts receivable	(1,725)	113,136
Prepaid expenses and deposits	9,576	13,289
Inventory	723,252	294,340
Factoring advances	(16,547)	-
Accounts payable and accrued liabilities	651,411	245,106
	(938,525)	(809,852)
Investing		
Capital asset additions	(5,099)	-
	(5,099)	-
Financing		
Repayment of finance lease obligation	(53,659)	(69,987)
Investor loans secured	175,000	150,000
Convertible notes secured	-	1,050,000
Repayment of Notes	(215,000)	(525,000)
Repayment of investor loans	-	(247,839)
Share repurchased	-	(395,614)
Proceeds from issuance of common shares	1,425,316	-
Shares issuance costs	116,477	-
Increase in warrant reserve	(37,168)	-
	1,410,966	(38,440)
Net change in cash	467,342	(848,292)
Cash, beginning of period	50,293	911,745
Cash, end of period	517,635	63,453

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

1. NATURE OF BUSINESS AND GOING CONCERN

Lattice Biologics Ltd. (the “Company”) develops, manufactures and markets biologic products to domestic and international markets. The products are used in a variety of applications including enhancing fusion in spine surgery, enhancing breast reconstruction post mastectomy for breast cancer patients, sports medicine applications including ACL repair, promotion of bone in foot and ankle surgery, promotion of skull healing following neurosurgery and subchondral bone defect repair in knee and other joint surgeries. Lattice Biologics Inc. was incorporated on July 18, 2013; however, the entity did not commence operations until September 21, 2013. On September 20, 2013, the Company acquired certain assets and liabilities of International Biologics, LLC (the “Acquired Company”), a non-related, privately held corporation.

On August 3, 2015 (as amended September 3, 2015), Lattice Biologics Inc. entered into a letter of intent to engage in an acquisition that would have Blackstone Ventures Inc. (“Blackstone”), an arm’s-length Public Corporation, registered in British Columbia, Canada, acquire all of the issued and outstanding securities of the Company (the “Qualifying Transaction”). The acquisition was completed on December 23, 2015 and Blackstone was renamed as Lattice Biologics Ltd. The Company’s common shares are listed under the symbol “LBL” on the TSX Venture Exchange (“TSX-V”). In accordance with IFRS 3, Business Combination, the substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination as the Company does not meet the definition of a business under the standard. As a result, the transaction is accounted for as an acquisition of a stock exchange listing with Lattice Biologics Inc. being identified as the acquirer and the equity consideration being measured at fair value.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss of \$1,259,557 for the quarter ended March 31, 2016 (March 31, 2015 - net loss of \$875,228), has an accumulated deficit of \$9,809,330 (September 30, 2015 - \$4,806,606), and has a working capital deficiency of \$2,850,947 (September 30, 2015 - \$1,382,220). These conditions cast significant doubt to the Company's ability to continue as a going concern. In order to meet its obligations and realize its investment in its assets, the Company is dependent on the continued support from investors and related parties.

The Company’s registered office is located at 16701 North 90th St, Suite 101 Scottsdale, Arizona 85260, USA. The Company’s secondary office is located at 1413-181 University Ave, Toronto, Ontario M5H 3M7, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

These interim condensed financial statements are unaudited and have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These interim financial statements do not include all the disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and accordingly should be read in conjunction with the Company’s audited financial statements for the year ended September 30, 2015 prepared in accordance with IFRS as issued by the IASB. The financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. The accounting policies have been consistently applied throughout the period unless otherwise stated. These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 26, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Presentation and Statement of Compliance (continued)

These statements consolidate the accounts of the Company and its wholly owned subsidiary, Lattice Biologics Inc. The accounting policies of the Company's subsidiaries are aligned with IFRS. Intercompany balances and transactions are eliminated upon consolidation. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

(b) Business Combinations

Acquisitions made by the Company since inception have been accounted for as business combinations using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are recognized in income and comprehensive income as incurred.

When the consideration transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in US Dollars, which is also the Company's functional currency.

(d) Future Accounting Changes

The following pronouncements were issued by the IASB or the IFRIC. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the summary below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

Financial Instruments

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Future Accounting Changes (continued)

Presentation of Financial Statements

IAS 1 Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

(e) Cash

Cash includes cash on hand, unrestricted cash, and balances with banks.

(f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is recorded as follows:

- Freezers and freeze dryers: Straight line over 8 and 10 years respectively
- Sensor thermometers: Straight line over 10 years
- Medical tools and equipment: Straight-line over 8 and 10 years respectively
- Leasehold improvements: Over the lease term
- Office equipment and card system: Straight line over 5 and 15 years respectively

Repair and maintenance expenditures that extend the useful life of the asset are capitalized and minor repair and maintenance costs are expensed as incurred to the statement comprehensive loss. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the statement comprehensive loss.

(g) Leases

Leases are classified as finance leases when the lease arrangement transfers substantially all of the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance lease liability is reduced by lease payments net of imputed interest. All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Goodwill

Goodwill represents the excess amount of consideration given over the fair value of the underlying assets in a business combination, and is measured at cost less accumulated impairment losses. Goodwill is not amortized, but is tested for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash generating units ("CGU") that are expected to benefit from the synergies of the acquisitions. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to other assets of the CGU.

(i) Intangible Assets

Intangible assets are measured at fair value on acquisition less accumulated amortization and accumulated impairment losses. Amortization is recorded as follows:

Acquired intellectual property and operating licenses: Straight-line over 7 years

Customers lists: Straight-line over 3 years

The estimated useful life is reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite lives are subject to annual impairment tests.

(j) Impairment of Non-Financial Assets

The Company reviews assets such as property and equipment and intangible assets with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets with indefinite lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Recoverable amount is the higher of an asset's fair value less the cost of disposal and value in use, (being the present value of the expected future cash flows of the relevant asset or CGU), as determined by management. Any impairment losses are recognized immediately in the statement of comprehensive loss. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. The Company operates under one CGU.

(k) Provisions

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability has been recognized.

(l) Earnings Per Share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing the applicable net earnings (loss) by the sum of the weighted average number of shares outstanding during the period and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventory

Inventory consist of raw materials, work-in-progress and finished goods. Inventory is valued at the lower of cost based on the specific identification cost and net realizable value. Net realizable value is the estimated selling price less applicable selling expenses and costs to complete. If the carrying value exceeds the net realizable value, a write-down is recognized. A reserve is taken on inventory for quantities not expected to be consumed. This reserve offsets the inventory balance. There were no reversals of inventory reserve for the periods presented.

(n) Revenue Recognition

Revenue is recognized in the statement of comprehensive loss when goods are delivered and titles have been passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue represents the amounts receivable after the deduction of discounts, other sales taxes, allowances given, provisions for chargebacks, other price adjustments and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted in light of contractual and historical information.

(o) Financial Instruments

The Company classifies all financial instruments as held-to-maturity, available-for-sale, fair value through profit or loss ("FVTPL"), loans and receivables or other liabilities. Financial assets held-to maturity, loans and receivables and financial liabilities other than those classified as FVTPL, are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).

Financial liabilities are classified as either financial liabilities classified as FVTPL or other financial liabilities. Financial liabilities are classified as FVTPL when the liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial liabilities are included in the initial carrying amount of the liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial Instruments (continued)

1. Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
3. Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash is reported at level 1. Convertible notes have been classified as level 3. There have been no movements or reclassifications between the two levels during the past two reporting periods. The Company has classified its financial assets and liabilities as follows:

Financial Instrument	Classification
Cash	FVTPL
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Investor loans	Other liabilities
Convertible notes	FVTPL
Notes payables	Other liabilities
Royalty funding	Other liabilities
Factoring advances	Other liabilities
Finance lease obligation	Other liabilities

(p) Accounting Estimates and Judgements

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the amortization of and measurement of impairment of property and equipment and other assets, and deferred income taxes. The judgments notably relate to the determination of the resultant purchase price allocation of the International Biologics, LLC acquisition, and assessment of going concern uncertainties. The most significant estimates and judgements are described below:

i) Identifying and measuring intangible assets acquired in the business combination

The Company is required under IFRS 3 to identify any acquired intangible assets arising from the purchase of International Biologics LLC. Management recognizes these assets when they arise from contractual or other legal rights and can be separated from the acquired business and sold. The Company identified two intangible assets: customers list and acquired intellectual property and licenses. These two intangibles were valued with valuation techniques which relied on observable and unobservable inputs.

ii) Inventory costing technique

The Company uses a specific identification approach to capture the costs of raw materials and overhead to bring the inventory to its present salable condition. This specific identification approach best reflects the physical inputs of raw materials, direct labor and direct overhead.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Accounting Estimates and Judgements (continued)

iii) Determination of Cash Generating Unit and review of impairment

The Company has determined that it presently operates as one cash generating unit and has allocated all its goodwill to that cash generating unit. The Company is required to test all indefinite life intangible assets at least annually.

iv) Accounting for Royalty Funding

The Company's royalty funding agreement has been accounted for as a financial liability and measured at fair value at initial recognition. The Company made this determination after reviewing the substance of the agreement and determining that the cash received was not payments in advance for any future sales. The Company has valued the royalty agreement at fair value when it became party to the arrangement using the prevailing discount rate at the time.

v) Accounting for Convertible Notes

The Company's convertible notes agreements have been accounted for as a financial liability and measured at fair value at initial recognition. As the conversion option is impacted by the public offering pricing, it fails the fixed for fixed criteria. Management has also designated the entire instrument as FVTPL. Accordingly, the entire instrument has been recorded at fair value.

3. PROPERTY AND EQUIPMENT

Cost	January 1, 2015	Additions	Disposals	September 30, 2015	Additions	Disposals	March 31, 2016
Freezers and Freeze Dryers	\$ 124,077	\$ -	\$ -	\$ 124,077	\$ -	\$ -	\$ 124,077
Sensor thermometer	52,393	-	-	52,393	-	-	52,393
Medical tools and equipment	176,365	41,426	-	217,791	5,099	-	222,890
Leasehold improvements	326,451	-	-	326,451	-	-	326,451
Office equipment	29,129	-	-	29,129	-	-	29,129
	<u>\$ 708,415</u>	<u>\$ 41,426</u>	<u>\$ -</u>	<u>\$ 749,841</u>	<u>\$ 5,099</u>	<u>\$ -</u>	<u>\$ 754,940</u>

Accumulated Depreciation	January 1, 2015	Depreciation	Disposals	September 30, 2015	Depreciation	Disposals	March 31, 2016
Freezers and Freeze Dryers	\$ 10,094	\$ 16,085	\$ -	\$ 26,179	\$ 8,312	\$ -	\$ 34,491
Sensor thermometer	7,080	4,248	-	11,328	2,832	-	14,160
Medical tools and equipment	14,427	18,581	-	33,008	7,235	-	40,243
Leasehold improvements	11,499	16,323	-	27,822	8,250	-	36,072
Office equipment	2,734	3,094	-	5,828	2,063	-	7,891
	<u>\$ 45,834</u>	<u>\$ 58,331</u>	<u>\$ -</u>	<u>\$ 104,165</u>	<u>\$ 28,692</u>	<u>\$ -</u>	<u>\$ 132,857</u>

3. PROPERTY AND EQUIPMENT (continued)

Net Book Values	March 31, 2016	September 30, 2015	December 31, 2014
Freezers and Freeze Dryers	\$ 89,586	\$ 97,898	\$ 113,983
Sensor thermometer	38,233	41,065	45,313
Medical tools and equipment	182,647	184,783	161,938
Leasehold improvements	290,379	298,629	314,952
Office equipment	21,238	23,301	26,395
	<u>\$ 622,083</u>	<u>\$ 645,676</u>	<u>\$ 662,581</u>

Carrying amounts for property under finance leases as at March 31, 2016 were \$142,468 (September 30, 2015 - \$165,932). See note 9 for further details.

4. INTANGIBLE ASSETS & GOODWILL

Cost	January 1, 2015	Additions	September 30, 2015	Additions	March 31, 2016
Customers list	\$ 766,210	\$ -	\$ 766,210	\$ -	\$ 766,210
Intellectual property and licenses	970,637	-	970,637	-	970,637
	<u>\$ 1,736,847</u>	<u>\$ -</u>	<u>\$ 1,736,847</u>	<u>\$ -</u>	<u>\$ 1,736,847</u>

Accumulated Depreciation	January 1, 2015	Depreciation	September 30, 2015	Depreciation	March 31, 2016
Customers list	\$ 319,254	\$ 191,552	\$ 510,806	\$ 127,702	\$ 638,508
Intellectual property and licenses	173,328	103,997	277,325	69,331	346,656
	<u>\$ 492,582</u>	<u>\$ 295,549</u>	<u>\$ 788,131</u>	<u>\$ 197,033</u>	<u>\$ 985,164</u>

Carrying Amounts	March 31, 2016	September 30, 2015	December 31, 2014
Customers list	\$ 127,702	\$ 255,404	\$ 446,956
Intellectual property and licenses	623,981	693,312	797,309
	<u>\$ 751,683</u>	<u>\$ 948,716</u>	<u>\$ 1,244,265</u>

The Company operates in one CGU. The Company performed impairment testing on its CGU to determine whether any impairment was required on its goodwill using a fair value less costs to sell approach. The fair value of the Company was determined using the pricing of the concurrent financing that is associated with the Company's go public transaction (see Note 1).

5. INVENTORY

	March 31, 2016	September 30, 2015
Unprocessed goods	\$ 438,155	\$ 1,614,864
Finished goods	1,794,235	1,340,778
	<u>\$ 2,232,390</u>	<u>\$ 2,955,642</u>

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following, as at:

	March 31, 2016	September 30, 2015
Accounts receivable	\$ 756,760	\$ 779,312
Allowance for doubtful accounts	(5,382)	(16,618)
Net accounts receivable	<u>\$ 751,378</u>	<u>\$ 762,694</u>

A portion of the accounts receivable balance as at September 30, 2015 were factored (see note 10).

7. LONG TERM INVESTMENT

Among the assets acquired from International Biologics LLC, the Company acquired an 8% investment in VG Innovations ("VGI"), a third-party, privately-held Corporation. This investment was recorded at cost with a nominal value. On August 12, 2015, the Company reached an agreement with VGI and sold its 8% investment in VGI in exchange for the purchase of \$500,000 worth of bio implants product from the Company. These purchases must take place within 12 months from August 12, 2015 ("the purchase period"), and will be subject to the same technical specifications and same prices as the Company's manufacturer prices as at August 12, 2015. If VGI does not purchase \$500,000 worth of bio implants product from the Company within the purchase period, VGI will need to pay the difference between \$500,000 and the amounts purchased within the purchase period, 15 days from the end of the purchase period.

8. ACCOUNTS PAYABLE

The accounts payable consists of the following balances:

	March 31, 2016	September 30, 2015
Accounts payable	\$ 2,552,466	\$ 2,408,452
Accrued liabilities	732,259	240,962
Prepaid donor credits	-	(16,100)
Net accounts payable	<u>\$ 3,284,725</u>	<u>\$ 2,633,314</u>

9. FINANCE LEASE OBLIGATION

During the period ended December 31, 2013, the Company acquired a finance lease for a sensor thermometer. The gross amount of the minimum lease payments related to the asset under finance lease was \$74,239. The lease bears interest at 19.12%. The term of the lease is for 37 monthly payments, expiring in March 2016.

During the period ended December 31, 2013, the Company acquired a finance lease for medical equipment. The gross amount of the minimum lease payments related to the assets under finance lease was \$23,016. The lease bears interest at 25.88%. The term of the lease is for 37 monthly payments, expiring in May 2016.

During the period ended December 31, 2013, the Company acquired a finance lease for freezers and medical equipment. The gross amount of the minimum lease payments related to the assets under finance lease was \$53,408. The lease bears interest at 22.07%. The term of the lease is for 49 monthly payments, expiring in May 2017.

During the period ended December 31, 2013, the Company acquired a finance lease for freezers and office equipment. The gross amount of the minimum lease payments related to the asset under finance lease was \$18,847. The lease bears interest at 24.21%. The term of the lease is for 37 monthly payments, expiring in June 2016.

During the period ended December 31, 2013, the Company acquired a finance lease for freezers and medical equipment. The gross amount of the minimum lease payments related to the assets under finance lease was \$26,845. The lease bears interest at 24.55%. The term of the lease is for 36 monthly payments, expiring in October 2016.

During the period ended December 31, 2013, the Company acquired a finance lease for a freeze dryer and medical equipment. The gross amount of the minimum lease payments related to the assets under finance lease was \$97,411. The lease bears interest at 15.47%. The term of the lease is for 36 monthly payments, expiring in December 2016.

10. FACTORING ADVANCES

On April 17, 2015, the Company entered into a factoring arrangement of up to \$1.0 million (up to 85% of the face value of the accounts receivable assigned to be factored). The Company must offer a minimum of \$250,000 in accounts receivable to be factored on a monthly basis. Under the terms of the factoring agreement, the Company may be requested to repay any amounts owing plus applicable interest. The fees charged under this agreement are a) an administrative fee of 0.25% on the face value of each account submitted; b) a discount fee of 0.25% for each fifteen-day period after the initial thirty-day period; c) a funding fee of 3.50% above the prime rate for each account purchased for which the Company has received an advance, which funding fee shall be calculated on net funds employed and shall in no event be less than 6.75%. The credit facility is secured by a general assignment of accounts covering substantially all of the Company's present and future assets. As part of covenants of the agreement, the Company must maintain a tangible net worth of more than negative \$3,500,000. As at March 31, 2016, the Company was in violation of this covenant. This arrangement is being recorded as a financing from the factoring company and factoring costs are being charged to operations as incurred. As at March 31, 2016, the amounts advanced under this facility are \$252,067.

11. INVESTOR LOANS

During the period ended December 31, 2013, an Officer of the Company loaned the Company \$75,000. In the year ended December 31, 2014, the same Officer loaned an additional \$825,000 bringing the total loan value to \$900,000. This loan bears interest at 20% per annum and has a maturity date of August 1, 2017. This loan is secured by all assets of the Company. The loan's carrying value as at March 31, 2016, is \$942,566 (September 30, 2015 - \$874,243).

During the nine month period ended September 30, 2015, another Officer of the Company loaned the Company \$150,000. In the quarter ending December 31, 2015, the same Officer loaned an additional \$175,000 bringing the total loan value to \$325,000. This loan also bears interest at 20% per annum and has a maturity date of August 1, 2017. This loan is secured by all assets of the Company. The loan's carrying value as at March 31, 2016 is \$360,356 (September 30, 2015 - \$157,976).

12. NOTES PAYABLE

As at September 20, 2013, the Company acquired a loan from an Officer of the Acquired Company. This note had an unsecured value of \$2,200,000, is non-interest bearing, and was valued using a discount rate of 8%. This loan originally had a maturity date of August 31, 2015; however, it was restructured on May 6, 2015 to extend the maturity date to February 2017. The restructured note remained non-interest bearing; however, the payment terms were restructured resulting in 22 monthly instalments of \$50,000 which commenced on May 15, 2015. At the conclusion of the 22nd payment, the entire amount due and owing under the note shall be deemed paid in full. This loan is secured by the Company's inventory, equipment and accounts receivable. This note is currently in default as the Company has not remitted the monthly payment since December 2015, due to the working capital deficiency. The note's carrying value as at March 31, 2016 is \$707,021 (September 30, 2015- \$791,985).

On July 17, 2014, a non-related, third party vendor, LifeShare Transplant Donor Services, converted their outstanding vendor balance of \$615,819 into a promissory note with a maturity date of December 26, 2014 which bears security over all assets held by the Company. The Company was not able pay off the loan by December 26, 2014 but was able to restructure the note on May 8, 2015. The amended note bears interest at 1.5% compounded monthly, and featured two balloon payments (\$250,000 in May 2015, and the residual balance on maturity in August 2015). As part of the restructure, Lifeshare still bears security over all assets except the Company's accounts receivable, which was released after the Company met the initial \$250,000 payment in May 2015. The Company was able to meet the payment of \$250,000 in May 2015 but was not able to make the payment in August 2015. The Company restructured the note once more on December 29, 2015 to have 50,000 due on or before December 31, 2015, and the remaining principal plus accrued interest split between two payments made on March 31, 2016 and June 30, 2016. This note is currently in default as the Company was not able to make the payment due on March 31, 2016, due to the working capital deficiency. The note's carrying value as at March 31, 2016 is \$261,128 (September 30, 2015- \$304,411).

On June 26, 2015, the Company secured a note from Redwood Fund, LP, a non-related Company in the amount of \$287,356 with an original issue discount of 13% (a resultant amount of \$250,000). This note bears interest at 24% and security over all assets held by the Company. In accordance with the terms of the note, the Company is currently making monthly payments of 1/5 of the interest incurred. The loan has a maturity date of June 26, 2016, at which point a principal value of \$287,356 plus all accrued interest will become due. This note also has an acceleration clause in the event of a Public Offering, which would cause the principal value to become due and payable within five business days of the completion of any such Public Offering. The note's carrying value as at March 31, 2016 is \$320,095 (September 30, 2015- \$304,411).

On July 31, 2015, the Company secured a note from Grenville Royalty Corp ("Grenville", a non-related Company) in the amount of \$700,000 and bears interest of 12.50%; however, no payments of principal or interest are due until July 31, 2016. This note is secured by all assets of the Company pursuant to a General Security Agreement dated July 31, 2015 between the Company and Grenville. As a covenant associated with the loan, the Company granted 500,000 warrants at an exercise price of \$0.60 on December 23, 2015, exercisable for a period of 12 months following the date of completion of the business combination. At any time on or after July 31, 2016, the outstanding debt may be converted into additional royalty interests (see note 14). The note's carrying value as at March 31, 2016 is \$741,021 (September 30, 2015- \$669,762).

On February 5, 2016, Grenville loaned the Company an additional \$150,000. The loan bears interest at 10.50% per annum and has a maturity date of February 5, 2017. No principal or interest amounts are due payable until the maturity date of the loan. The loan may be prepaid by the Company in whole, or in part, without notice, penalty or bonus. The note's carrying value as at March 31, 2016 is \$152,655.

13. CONVERTIBLE NOTES

On January 9, 2015, the Company issued the following convertible notes:

Convertible Note- 24% Interest, due February 1, 2018	\$	500,000
Convertible Note- 24% Interest, due February 1, 2018		200,000
Convertible Note- 24% Interest, due February 1, 2018		100,000
Convertible Note- 24% Interest, due February 1, 2018		250,000
Total	\$	<u>1,050,000</u>

The holder of the convertible note may elect to convert the note into common shares of the Company. Monthly payments equal to the amount of all accrued interest on the then outstanding principal balance shall be due and payable in arrears on the first day of each month (for the immediate preceding month) beginning with March 1, 2015. This convertible note has a maturity date ending February 1, 2018 however the note can be called immediately upon the closing of an underwritten public offering of the Company's common stock. In the event of a public offering before the maturity date, the aggregate note amount shall be convertible at the holder's option into a number of shares of common stock equal to the quotient of the Aggregate note amount divided by the price per share of the common stock offered to the public, and then 70% of the public offered price. Upon such conversion, no amounts shall be due to the holder of the note, including, but not limited to, any accrued interest under the note.

On December 23, 2015, one of the note holders (with a principal amount of \$500,000) converted their respective note into shares of the Company (see note 15). On December 23, 2015, the remaining note holders (in the aggregate amount of \$550,000) relinquished the conversion rights to their notes, effectively rendering the amounts due as promissory notes. Upon both the conversion and the relinquishment of conversion rights taking place, a loss of \$61,900 was realized as a fair value adjustment to the carrying value of the notes. As at March 31, 2016, these notes were being carried at the face value of \$550,000, and were included within the Notes Payable.

14. ROYALTY FUNDING

During the year ended December 31, 2014, the Company secured an advance of \$2,000,000 from Grenville, in exchange for a gross sales royalty payable. On this advance, each monthly royalty payment will be equal to \$41,667 (a "Minimum Monthly Payment") payable up to December 31, 2015. Effective January 1, 2016, the royalty rate will be determined based on the greater of the Minimum monthly payment, and a sliding scale between 2.74% and 6% of revenue. If revenue for the 2015 calendar year is more than \$15,000,000, the royalty rate will be 2.74%; if 2015 revenues are less than \$8,000,000 the royalty rate will be 6%; and if revenue is between \$8,000,000 and \$15,000,000 the royalty rate is calculated on a proportional basis.

On May 8, 2015, Grenville elected to purchase an additional royalty from the Company. The aggregate funds advanced increased from \$2,000,000 to \$3,000,000. The Minimum monthly payment increased to \$62,500.

On August 1, 2015, Grenville adjusted the Minimum Monthly Payment ("Secondary Minimum Monthly Payment") from \$62,500 to \$31,250, which will be applicable up to December 31, 2015. Effective January 1, 2016 to July 31, 2016, the Company will pay a monthly royalty payment which shall be the greater of the Secondary Minimum Monthly Amount of \$31,250 and a sliding scale between 1.37% and 3% of monthly revenue. After July 31, 2016, the applicable royalty rate will be determined based on the greater of the Minimum Monthly Payment and a sliding scale between 2.74% and 6% of revenue. If revenues for the 2015 calendar year are more than \$15,000,000 the royalty rate will be 2.74%; if 2015 revenues are less than \$8,000,000, the royalty rate will be 6%; and if revenues are between \$8,000,000 and \$15,000,000 the royalty rate will be calculated on a proportional basis.

14. ROYALTY FUNDING (continued)

The Company has the right to buy down 50% (and no more or less) for the aggregate installment amount advanced to the Company multiplied by 50%, once Grenville has received aggregate royalty payments of \$6,000,000. If the buy-down option is exercised and completed, the aggregate installment amount and Minimum Monthly Payment will thereafter be reduced by 50%. The Company also has the right to buyout the royalty in the event a change of control of the Company or a sale of substantially all of the assets of the Company. The buyout amount would equal the greater of a) 2x the Aggregate installment amount or b) a formula determined by the Aggregate Installment Amount divided by \$20,000,000 multiplied by 0.8 multiplied by the net equity value of the Company (or the purchase price in the case of an asset sale), as determined by the royalty agreement.

The royalty funding has been reflected as perpetual debt for accounting purposes. Until such time as the Company buys out all or a portion of the royalty, the principal will continue to be reflected in the original funded amount, less any transaction costs which will be amortized on an effective yield basis. A portion of this principal amount will be shown as current, reflecting the minimum payments due within the next fiscal year (see note 17(d)).

15. SHARE CAPITAL AND WARRANT RESERVE

a) Share Capital

Authorized and issued

The Company is authorized to issue an unlimited amount of voting common shares without par value.

Changes to share capital:	Number		Amount
Balance – September 30, 2015	14,699	\$	913,845
Share consolidation (i)	(1,987)		-
Share issuance (i)	1,987		1,081,161
Reverse takeover adjustment (ii)	39,607,192		837,230
Shares issued through private placement (iii)	5,234,000		1,158,192
Shares issued to convertible noteholder (iv)	3,174,603		500,000
Shares issued to Sponsor (v)	392,489		84,448
Shares issued through private placement (vi)	1,326,258		354,316
Balance – March 31, 2016	49,749,241	\$	4,929,192

- (i) On October 1, 2015, Lattice performed a share consolidation in which it reduced its share capital by 1,987 shares on a pro-rata basis from its existing shareholders. On the same day, the Company issued 1,987 shares to certain employees and a Director of the Company. These shares were issued prior to the Qualifying Transaction and translated into 4,830,060 shares of the Company, post consolidation, on December 23, 2015. These shares were valued at \$0.30 CDN post consolidation.
- (ii) On December 23, 2015, upon the completion of the Qualifying Transaction, the former shareholders of Lattice received 35,730,750 shares and the former shareholders of Blackstone retained 3,891,141 shares. All shares issued to these shareholders were valued at \$0.30 CDN per share post the completion of the Qualifying Transaction.
- (iii) On December 23, 2015, concurrent with the Qualifying Transaction, the Company closed a private placement, where the Company issued 5,234,000 common shares at a price of \$0.30 CDN per share of Lattice for aggregate gross proceeds of \$1,158,192. In conjunction with the offering, the Company issued 2,616,999 warrants with an exercise price \$0.60 CDN per share, expiring 12 months from the date of issuance. The warrants were valued at \$26,894. The Company also issued 182,530 finders' warrants, with an exercise price of \$0.60 CDN expiring two years following the date of issuance. The finders' warrants were valued at \$5,135. The fair value of warrants and broker warrants, have been applied against the proceeds of the issuance of the securities.

15. SHARE CAPITAL AND WARRANT RESERVE (continued)

- (iv) On December 23, 2015, concurrent with the Qualifying Transaction, one of the convertible note holders of the Company enacted their conversion rights to convert the face value of the note of \$500,000. The note converted into 3,174,603 shares and were valued at \$0.21 CDN per share post the completion of the Qualifying Transaction.
- (v) On December 23, 2015, concurrent with the Qualifying Transaction, the Company issued 392,489 shares to a service provider for acting as the Sponsor for the Transaction. The shares were valued at \$0.30 CDN per share post the completion of the Qualifying Transaction.
- (vi) On March 31, 2016, the Company closed a private placement, where the Company issued 1,326,258 common shares at a price of \$0.30 CDN per share of Lattice for aggregate gross proceeds of \$299,154. In conjunction with the offering, the Company issued 663,129 warrants with an exercise price \$0.30 CDN per share, expiring 36 months from the date of issuance. The warrants were valued at \$55,162.

b) Warrant Reserve

Warrants to acquire voting common shares outstanding, exercisable and in escrow at December 31, 2015 were as follows:

Date Issued	Exercise Price	Date of Expiry	Outstanding and exercisable
December 23, 2015	\$0.60 CDN	December 23, 2016	2,616,999
December 23, 2015	\$0.60 CDN	December 23, 2017	182,530
December 23, 2015	\$0.60 CDN	December 23, 2016	500,000
March 31, 2016	\$0.30 CDN	March 31, 2019	663,129
Average Exercise Price:	\$0.55 CDN		3,962,658

The fair value of each warrant issued to shareholders and in escrow was estimated using the Black Scholes model with the following significant assumptions:

	Shareholder Warrants	Broker Warrants	Grenville Warrants
Number of warrants	2,616,999	182,530	500,000
Offering Price of the shares	\$0.30 CDN	\$0.30 CDN	\$0.30 CDN
Exercise price	\$0.30/ \$0.60 CDN	\$0.60 CDN	\$0.60 CDN
Discount rate	27%	27%	27%
Risk-free interest rate	0.54%	0.54%	0.54%
Expected volatility	61%	61%	61%
Expected life in years	1 year	2 years	1 year
Expected dividend yield	0%	0%	0%

Expected volatility was estimated by reference to comparable listed entities including those of which the Company's share price was based on.

c) Share Purchase Options

Under the common share option plan ("Share Option Plan"), the Company may grant options to acquire up to 10% of the issued and outstanding common shares of the Company to directors, officers, employees, partners and service providers of the Company. The related vesting period over which share-based compensation expense is determined by the Company at the time of grant. Each share option awarded under the Share Option Plan is equity-settled and the share-based compensation expense is based on the fair value estimate on the business day prior to the grant date.

There were no share purchase options outstanding as at March 31, 2016.

16. INCOME TAXES

Information on statutory tax rates and deferred taxes is outlined in the Company's September 30, 2015 audited financial statements.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) Fair value

The carrying amount of cash, accounts receivables, accounts payable and accrued liabilities, due to related parties and other payables approximate their fair values due to the short-term maturities of these instruments. The long-term portions of finance lease obligation, investor loans, notes payable, and royalty funding have been discounted at a rate that approximates current market rates and therefore, approximates fair values.

(ii) Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), fair value risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Market Risk

(i) Currency risk:

The Company's revenues, expenses and financing are primarily denominated in US dollars. There is minimal exposure to currency risk.

(ii) Interest rate risk:

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's debt is at fixed rates and due in the short term. Accordingly, there is limited exposure to cash flow or price interest rate risk.

(b) Credit Risk

In the period ended March 31, 2016, the Company has 2 customers that account for more than 10% of sales (period ended September 30, 2015 – 2 customers). The Company mitigates this risk by evaluating the outstanding balances on a regular basis and abiding by the credit limit that is dictated by the customer's credit rating. As at March 31, 2016, the Company has \$239,506 (September 30, 2015 - \$271,023) receivables past due.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at March 31, 2016, the Company has current liabilities of \$6,376,135 (September 30, 2015 - \$5,184,210) due within 12 months and has cash of \$517,635 (September 30, 2015 - \$50,293) to meet its current obligations. As at March 31, 2016, the Company has a working capital deficiency of \$2,850,947 (September 30, 2015 - \$1,382,220) and accordingly, the Company is subject to liquidity risk. Management will continue to raise capital to develop, market and promote its products and technology to maintain its ongoing operations.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Capital Management

The Company's objective is to develop a strong capital base to sustain future development and growth of the business. The Company manages its capital by maintaining a flexible capital structure which optimizes the cost of capital at an acceptable level of risk and makes adjustments on it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company's capital base is currently represented by shareholders' equity, investor loans, notes payable, convertible notes and royalty funding. Management reviews the Company's business plans as part of its strategic initiatives in conjunction with its financial forecast. There has been no change in the capital management policies of the Company during the year, other than the issuance of new convertible notes.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company has no additional externally imposed capital requirements other than as disclosed in note 10.

The Company's investor loans, notes payable, convertible notes and royalty discounted funding obligations are due as follows:

	2016	2017	2018	2019	2020	Thereafter
Notes Payable	\$2,181,921	\$ -	\$ 550,000	\$ -	\$ -	\$ -
Investor loans	-	-	1,302,922	-	-	-
Accounts payable and accrued liabilities	3,284,725	-	-	-	-	-
Factoring advances	252,067	-	-	-	-	-
Finance lease	32,422	-	-	-	-	-
Royalty*	625,000	750,000	750,000	750,000	750,000	750,000 per annum to perpetuity

* Based on minimum royalty (see note 14)

18. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Company is committed to leases of its premises and equipment. Minimum lease payments for successive years are as follows:

Item	2016	2017	2018	2019	2020	Thereafter	Total
Equipment	\$ 22,836	\$ 22,836	\$ 17,127	\$ -	\$ -	\$ -	\$ 62,799
Premises	267,308	273,580	274,250	263,615	270,222	288,855	1,637,830
Consulting Fees	90,000	-	-	-	-	-	90,000

- (b) On September 17, 2015, DCI Donor Services, Inc. ("DCIDS") filed a complaint against the Company in the Superior Court of the State of Arizona in and for the county of Maricopa. DCIDS alleges that the Company owes DCIDS \$187,800 for services previously provided by DCIDS in connection with the procurement of tissue. The Company filed a response to this claim on November 13, 2015. Management has accrued the balance owing of \$187,800 and believes that all adequate provisions have been recorded in relation to this complaint where required.

18. COMMITMENTS AND CONTINGENCIES (continued)

- (c) In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, vendors and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

19. RELATED PARTY TRANSACTIONS

In the six month period ended March 31, 2016, Officer salaries earned were \$285,000 (six month period ended March 31, 2015 - \$105,000). Of the amounts earned, \$75,000 were actually paid in the six month period ended March 31, 2016 and the remainder were accrued (six month period ended March 31, 2015 - \$162,508 earned and paid).

As at March 31, 2016, amounts payable to Officers of the Company (excluding the investor loans, see Note 11) were \$271,796 (September 30, 2015 - \$72,958).

20. SUBSEQUENT EVENTS

On April 6, 2016, Grenville loaned the Company an additional \$100,000. The loan bears interest at 10.50% per annum and has a maturity date of April 6, 2017. No principal or interest amounts are due payable until the maturity date of the loan. The loan may be prepaid by the Company in whole, or in part, without notice, penalty or bonus.