

Biostem Technologies, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

Note 1 Organization and Nature of Operations

Biostem Technologies, Inc. (hereinafter “the Company”), was incorporated as Aladdin & Company Trading in Utah on July 7, 2006. Aladdin & Company Trading later changed its name to Caribbean Casino & Gaming Corporation and re-domiciled to Florida on March 2, 2009. Caribbean Casino & Gaming Corporation further changed its name to Caribbean International Holdings, Inc. on January 7, 2013. On August 28, 2014, the Company changed its name to Biostem Technologies, Inc.

The Company is devoted to providing goods and services that educate, provide and share with the world the benefits of using stem cell research, nutraceutical and telomere science to promote anti-aging, examine life extension possibilities, and the effects of the Company’s products and processes in defeating disease. Currently, the Company has six wholly owned subsidiaries and one subsidiary with majority ownership, under which it operates its business:

- Biostem Wellness, Inc., a Florida corporation, develops and markets nutraceutical products through its own brands, Dr. Dave’s Best and Nesvik Organics as well as other non-proprietary products throughout the U.S. and internationally.
- Biostem Pharmaceuticals, Inc., a Delaware corporation, is the pharmaceutical research and development arm of the Company and will, when fully operational, provide proprietary products and compounds for the Company’s clients and affiliated companies.
- Biostem Cell Therapy, Inc., a Delaware corporation, will educate future stem cell providers in patented cell treatment protocols, procedures and practices as well as provide new products to our affiliated companies.
- Blue Tech Industries Inc., formerly known as BioBlue Technologies, Inc., a Delaware corporation, will license its BioBlue gas and electro magnetically charged reformed liquid silica to Industrial clients to improve flocculation and increase efficiencies in the water treatment process.
- Biostem Holdings Group S.L., will be the international operations arm of the Company and will manage the international operations in Mexico, Spain, and Iceland, among other locations to be determined.
- BIO ST Holdings S de R.L. de CV, a Mexican entity offers of cell based therapies to customers at the Company’s clinic in Guadalajara Mexico.
- Quality Pharma Ingredients Inc. (f/k/a Biostem Helps Inc.), a Delaware corporation engaged in repackaging and distribution of active pharmaceutical ingredients at the Company’s facility in Oakland Park, Florida. The Company owned 70.0% interest of the subsidiary as of December 31, 2017 and 2016.

The Company is currently selling products through Biostem Wellness, Inc. via two ecommerce platforms, Shopify and Amazon. In addition, the Company is continuing to build its stem cell research through Biostem Cell Therapy, Inc.

The Company’s fiscal year end is December 31.

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Note 2 Summary of Significant Accounting Policies

Going Concern

As reflected in the accompanying consolidated financial statements, the Company had a net loss of \$4,841,407 and \$3,198,819 and net cash used in operations of \$1,885,050 and \$1,699,745 for the years ended December 31, 2017 and 2016, respectively; and a working capital deficit of \$1,318,068 as of December 31, 2017. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operation is dependent on management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including convertible debt and/or other term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's existence.

The Company may require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company's currently available cash along with anticipated revenues may not be sufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements include the accounts of Biostem Technologies, Inc. and all wholly and majority-owned entities. All significant intercompany balances have been eliminated.

The Company consolidates entities that are wholly-owned or entities that are owned less than 100% but where the Company has control. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) under the accrual basis of accounting.

Foreign Currencies

The assets, liabilities and results of operations of certain of the Company's subsidiaries are measured using their functional currency which is the currency of the primary foreign economic environment in which they operate. Upon consolidating these subsidiaries with the Company, the

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applicable assets and liabilities are translated to US dollars at currency exchange rates as of the applicable dates and their revenues and expenses are translated at the weighted average currency exchange rates during the applicable reporting periods. Translation adjustments resulting from the process of translating these subsidiaries' financial statements are reported in other comprehensive income (loss) in the accompanying consolidated statements of comprehensive income (loss).

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, the valuation of intangible assets, estimate of fair value of share based payments and valuation of deferred tax assets.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Risks and Uncertainties

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others: (i) the uncertainty associated with the commercialization and ultimate success of the product; (ii) competition inherent in the markets where product is expected to be sold; (iii) general economic conditions; and (iv) the related volatility of prices pertaining to the cost of sales.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest.

The Company recognizes an allowance for losses on accounts receivable in an amount equal to the

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estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivable aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible.

All amounts are deemed collectible at December 31, 2017 and December 31, 2016 and accordingly, the Company has not recorded an allowance for doubtful accounts at December 31, 2017 and December 31, 2016.

Inventory

Inventories consist primarily of nutraceutical products, and are stated at cost. The Company values the inventory at the lower costs (using first-in, first-out method) or market value. The Company periodically reviews historical sales activity to determine potentially obsolete items and also evaluates the impact of any anticipated changes in future demand.

At December 31, 2017 and December 31, 2016, the Company had \$146,579 and \$93,837 in inventory, respectively. The Company tracks inventory as it is disposed or scrapped to determine whether additional items on hand should be reduced in value through an allowance method. As of December 31, 2017 and 2016, the Company has determined that no allowance is required.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation, and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Depreciation of property, plant and equipment is provided utilizing the straight-line method over the estimated useful lives, ranging from 3-39 years of the respective assets. Expenditures for maintenance and repairs are charged to expense as incurred. Major replacements and betterments are capitalized and depreciated using the straight-line method over 39 years.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of operations.

Valuation of Intangible Assets

The Company reviews Goodwill for impairment at lowest amounts whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair value. The Company determined no impairment adjustment was necessary during the years ended December 31, 2017 and 2016.

Intangible assets with finite useful lives are amortized over their estimated useful lives primarily on a straight-line basis. Intangible assets with finite useful lives are reviewed for impairment when facts or circumstances suggest that the carrying value of these assets may not be recoverable.

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Fair Value of Financial Instruments

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable & accrued expenses, notes payable, convertible debt, and advance from related parties approximate their fair values because of the short maturity of these instruments.

Stock Based Compensation – Employees

The Company accounts for its stock based compensation in which the Company obtains employee services in share based payment transactions under the recognition and measurement principles of the fair value recognition provisions of section 718-10-30 of the FASB Accounting Standards Codification. Pursuant to paragraph 718-10-30-6 of the FASB Accounting Standards Codification, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

If the Company is a newly formed corporation or shares of the Company are thinly traded, the use of share prices established in the Company's most recent private placement memorandum (based on sales to third parties), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

Stock Based Compensation – Non-Employees

Equity Instruments Issued to Parties Other Than Employees for Acquiring Goods or Services

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of Subtopic 505-50 of the FASB Accounting Standards Codification ("Subtopic 505-50").

Pursuant to ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur. If the Company is a newly formed corporation or shares of the Company are thinly traded the use of share prices established in the Company's most recent private placement memorandum, or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be

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artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

Revenue Recognition

The Company derives revenues from the sale of nutraceutical products to customers through online sales.

Revenue is recorded when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) asset is transferred to the customer without further obligation, (3) the sales price to the customer is fixed or determinable, and (4) upon shipment of the products.

Cost of Sales

Cost of sales represents costs directly related to the production of the Company's products.

Product sold is typically shipped directly to the customer from a third-party online sales platform; costs associated with shipping and handling is shown as a component of cost of sales.

Loss Per Share

Basic loss per share is computed by dividing net loss for the period by the weighted average number of common stock outstanding during each period. Diluted loss per share is computed by dividing net loss for the period by the weighted average number of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The following common stock equivalents have been excluded from the computation of diluted loss per share for the years ended at December 31, 2017 and December 31, 2016:

	<u>2017</u>	<u>2016</u>
Stock Warrants (Exercise price - \$0.62-\$10.00/share)	3,183,767	3,000,000
Convertible Debt	40,000	40,000
Preferred Stock	330	3,000,300
Total	<u>3,224,097</u>	<u>6,040,300</u>

Income Tax Provision

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a

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valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification (“Section 740-10-25”). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty (50) percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management’s opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

The Company’s tax returns may be subject to examination by the federal and state authorities for the years ended 2017, 2016, 2015 and 2014.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-9, “Revenue from Contracts with Customers (Topic 606)”, on revenue recognition. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The original effective date of this guidance was for interim and annual reporting periods beginning after December 15, 2016, early adoption is not permitted, and the guidance must be applied retrospectively or modified retrospectively. In July 2015, the FASB approved an optional one-year deferral of the effective date.

On January 1, 2017, the Company adopted the new accounting standard ASC 606, Revenue from Contracts with Customers and all the related amendments (“new revenue standard”) to all contracts using the modified retrospective method, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. The Company expects

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the impact of the adoption of the new standard to be immaterial to the net income on an ongoing basis.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, clarifying the Definition of a Business ("ASU 2017-01"). The standard clarifies the definition of a business by adding guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Under ASU 2017-01, to be considered a business, the assets in the transaction need to include an input and a substantive process that together significantly contribute to the ability to create outputs. Prior to the adoption of the new guidance, an acquisition or disposition would be considered a business if there were inputs, as well as processes that when applied to those inputs had the ability to create outputs. Early adoption is permitted for certain transactions. Adoption of ASU 2017-01 may have a material impact on our consolidated financial statements if the Company enter into future business combinations.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company anticipates the impact of the adoption of ASU 2017-04 to be immaterial to the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation*, which is intended to simplify the accounting for share-based payment award transactions. The new standard will modify several aspects of the accounting and reporting for employee share-based payments and related tax accounting impacts, including the presentation in the statements of operations and cash flows of certain tax benefits or deficiencies and employee tax withholdings, as well as the accounting for award forfeitures over the vesting period. The guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within that year, and was adopted by the Company in the second quarter of fiscal 2017. The Company anticipates the magnitude of the impacts is not significant as the Company is expecting to continue to experience net operating loss.

In February 2016, the FASB issued an accounting standard update which modifies the accounting for leasing arrangements, particularly those arrangements classified as operating leases. This update will require entities to recognize the assets and liabilities arising from operating leases on the balance sheet. This guidance is effective for fiscal and interim periods beginning after December 15, 2018 and is required to be applied retrospectively to all leasing arrangements. The Company is currently assessing the effects this guidance may have on the consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest—Imputation of Interest (Topic 83530): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03").

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ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by ASU 2015-03. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has no debt issuance costs need to be reclassified for the years ended December 31, 2017 and 2016.

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory (“ASU 2015-11”), which applies guidance on the subsequent measurement of inventory. ASU 2015-11 states that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. The guidance excludes inventory measured using last-in, first-out or the retail inventory method. ASU 2015-11 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company’s financial position, results of operations or cash flows.

Note 3 Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2017 and 2016:

	2017	2016
Building	\$ 433,448	\$ 433,448
Building Improvements	850,537	763,762
Land	75,000	75,000
Machinery and Equipment	468,758	471,829
Computer and Office Supplies	20,326	20,441
Furniture and Fixtures	59,058	14,597
HVAC	124,974	124,974
ADT Security / Service	13,260	—
Total	2,045,361	1,904,051
Less: Accumulated Depreciation	(264,121)	(126,151)
Property, Plant and Equipment - net	\$ 1,781,240	\$ 1,777,900

Depreciation expense amounted to \$153,002 and \$108,319 for the years ended December 31, 2017 and 2016, respectively.

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Note 4 Intangible Assets, Net (Other Than Goodwill)

The following is a summary of activity related to intangible assets for the years ended December 31, 2017 and 2016:

Useful Lives	Acquired Application	Acquired Trademark	Non-Compete Agreement	Customer Relationships	Total
	15 Years	15 Years	5 Years	5 Years	
Carrying Value at December 31, 2015	\$ —	\$ 4,912	\$ 99,057	\$ 92,039	\$ 196,008
Additions	250,000	112,500	—	—	362,500
Amortization	(9,722)	(5,798)	(20,147)	(18,720)	(54,387)
Carrying Value at December 31, 2016	240,278	155,894	78,910	73,319	548,401
Additions	—	—	—	—	—
Write off of assets	—	—	(73,331)	—	(73,331)
Amortization	(16,667)	(10,798)	(2,199)	(18,720)	(48,384)
Carrying Value at December 31, 2017	\$ 223,611	\$ 145,096	\$ 3,380	\$ 54,599	\$ 426,686

The following is a summary of intangible assets as of December 31, 2016:

Useful Lives	Acquired Application	Acquired Trademark	Non-Compete Agreement	Customer Relationships	Total
	15 Years	15 Years	5 Years	5 Years	
Cost	\$ 250,000	\$ 161,967	\$ 100,736	\$ 93,599	\$ 606,302
Accumulated amortization	(9,722)	(6,073)	(21,826)	(20,280)	(57,901)
Carrying Value at December 31, 2016	\$ 240,278	\$ 155,894	\$ 78,910	\$ 73,319	\$ 548,401

The following is a summary of intangible assets as of December 31, 2017:

Useful Lives	Acquired Application	Acquired Trademark	Non-Compete Agreement	Customer Relationships	Total
	15 Years	15 Years	5 Years	5 Years	
Cost	\$ 250,000	\$ 161,967	\$ 5,794	\$ 93,599	\$ 511,360
Accumulated amortization	(26,389)	(5,798)	(24,14)	(39,000)	(84,674)
Carrying Value at December 31, 2017	\$ 223,611	\$ 145,096	\$ 3,380	\$ 54,599	\$ 426,686

Future expected amortization of intangible assets is as follows:

Year Ending December 31,	
2018	\$ 47,343
2019	47,343
2020	45,687
2021	27,646
2022	27,646
Thereafter	82,393
	<u>\$ 278,059</u>

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Note 5 Convertible Debt

On August 17, 2016, the Company issued 3% Convertible Promissory Note (the "Note") in the aggregate principal amount of \$400,000. The Note began accruing interest at a rate of 3% on the date that Investor submitted the principal balance of such Investor's Note, with the interest thereon becoming due and payable on the one year anniversary of said date. The principal balance of the Note and all unpaid interest will become due and payable in twelve (12) months after the date of issuance. The principal and interest under the Note are convertible into shares of the Company's common stock at \$10.00 per share.

The entire aggregate principal amount of the Note of \$400,000 was outstanding as of December 31, 2017 and 2016

Note 6 Note Payable

On October 29, 2015, the Company purchased a property located at Pompano Beach, Florida for \$600,000 including tangible assets. The Company has paid \$100,000 in cash and financing the remaining balance at 5% interest rate. The loan is payable monthly, interest only for the term of the loan at 5%. The loan maturity on April 29, 2017. The property will be mainly used as laboratory for product research and development.

The interest expense for the years ended December 31, 2017 and 2016 were \$10,416 and \$25,000, respectively.

In March 2017 and May 2017, the Company and seller of the property was entered into an extension agreement to extend the maturity date to October 31, 2017. (See note 10).

Note 7 Stockholders' Equity

(A) Preferred Stock

On May 16, 2016, the Company filed with Florida Department of State with an amendment to cancel 499,700 Preferred A-1 shares. After the cancellation of the shares, the Series A-1 consisting of 300 shares at par value of \$0.001 per share. Each Series A-1 Preferred Share shall have the right to vote for the election of directors or any other purpose based upon the number of common shares such Series A-1 Preferred Share would be converted into. Series A-1 Preferred Shares can be converted into 300 fully paid and non-assessable shares of Common Stock.

On July 20, 2017, the Company filed with Florida Department of State with an amendment to cancel 499,995 Preferred B-1 shares. After the cancellation of the shares, the Series B-1 consisting of 5 shares at par value of \$0.001 per share. Each Series B-1 Preferred Share shall have the right to vote for the election of directors or any other purpose based upon the number of common shares such Series B-1 Preferred Share would be converted into. Each B-1 Preferred Share can be converted into 6 fully paid and non-assessable shares of Common Stock.

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(B) Common Stock

For the years ended December 31, 2017 and 2016, the Company issued the following common stock:

Transaction Type		Quantity (shares)	Fair Value (\$)	Range of Fair Value Per Share
2016 Equity Transactions				
Common stock issued for cash	(1)	278,739	\$ 1,485,225	\$ 1.50-8.00
Common stock issued for services	(2)	172,189	1,097,699	3.00-14.20
Common stock issued for interest expense	(3)	2,767	11,000	3.98-7.50
Common stock issued per employment agreement	(4)	100,000	500,000	5.00
Common stock issued for acquisition of intangible assets	(5)	65,000	362,500	5.00-7.50
Cancellation of common stock	(6)	(425,001)	—	1.00-3.00
Total 2016 Equity Transactions		193,694	\$ 3,456,424	\$ 0.40-14.20
2017 Equity Transactions				
Common stock issued for cash	(7)	358,719	2,007,949	5.00-7.50
Common stock issued for services	(8)	188,052	1,181,824	5.00-13.12
Common stock issued per employment agreement	(9)	143,485	1,164,123	5.00
Common stock issued for conversion Series B Preferred Stock	(10)	2,999,970	500	0.40

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Common stock issued for warrant exercised	(11)	32,473	20,133	0.62
Cancellation of common stock	(12)	(115,500)	(73,331)	1.00-3.00
Total 2017 Equity Transactions		3,607,199	\$ 4,301,198	\$ 0.40-13.12

(1) Common stock issued for cash

During the year ended December 31, 2016, the Company sold 278,739 shares of common stock for total proceeds of \$1,485,225.

(2) Common stock issued for services

During the year ended December 31, 2016, the Company issued 172,189 shares for services performed by third parties. The Company estimated the fair value of the shares based on the price of most recent private placements of equity, totaling \$1,097,699. (See note 7F)

(3) Common stock issued for interest expense

During the year ended December 31, 2016, the Company issued 4,207 shares of common stock in settle of accrued interest of \$11,000.

(4) Common stock issued per employment agreement

During the year ended December 31, 2016, the Company issued 100,000 shares of common stock pursuant to employment agreements. The Company estimated the fair value of the shares based on the price of most recent private placements of equity, totaling \$500,000. (See note 7F)

(5) Common stock issued for acquisition of intangible assets

During the year ended December 31, 2016, the Company issued 65,000 shares of common stock for the acquisition of intangible assets in total of \$362,500. The fair value of the shares based on the price of most recent private placements of equity, totaling \$362,500.

(6) Cancellation of common stock

During the year ended December 31, 2016, the Company cancelled 425,001 shares of common stock in total of \$475,000 in exchange for releasing non-compete agreements. (See note 7E)

(7) Common stock issued for cash

During the year ended December 31, 2017, the Company sold 358,719 shares of common stock for total proceeds of \$2,007,949.

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(8) Common stock issued for services

During the year ended December 31, 2017, the Company issued 188,052 shares for services performed by third parties. The Company estimated the fair value of the shares based on the price of most recent private placements of equity, totaling \$1,181,824. (See note 7F)

(9) Common stock issued per employment agreement

During the year ended December 31, 2017, the Company issued 143,485 shares of common stock pursuant to employment agreements. The Company estimated the fair value of the shares based on the price of most recent private placements of equity, totaling \$1,164,123. (See note 7F)

(10) Common stock issued for conversion Series B Preferred Stock

During the year ended December 31, 2017, the holders of 499,995 shares of Series B Preferred Stock elected to convert the shares into 2,999,970 shares of common stock in total of \$500.

(11) Common stock issued for warrant exercised

During the year ended December 31, 2017, a shareholder exercised 32,473 warrants at \$0.62 in total of \$20,133 in exchange for shares of common stock of the Company. (See note 7G)

(12) Cancellation of common stock

During the year ended December 31, 2017, the Company cancelled 115,500 shares of common stock in total of \$462,000 in exchange for releasing non-compete agreement. (See note 7E)

(C) Common Stock to be Issued

As of December 31, 2017 and 2016 the Company had yet issued 32,020 and 53,320 shares of common stock, for which proceeds of \$231,130 and \$399,630, respectively, were received.

(D) Common Stock Subscription Receivable

As of December 31, 2017 and 2016 the Company had issued 24,747 and 14,747 shares of common stock, respectively; for which proceeds of \$59,086 and \$33,586, respectively, had yet received.

(E) Additional Paid in Capital

During the year ended December 31, 2016, the Company cancelled 425,001 shares, all cancelled shares were held by various consultants. The shareholders agreed to give up their shares in exchange for releasing their non-compete agreements.

During the year ended December 31, 2017, the Company cancelled 115,500 shares. The consideration for the retirement is the agreements of the parties pursuant to the Release Agreement signed in 2017. The Company and the seller agrees that such consideration is legally sufficient for purposes of the acquisition of the common stock by the Company.

As there is no cash consideration, the Company first write off the intangible assets acquired by the

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original issuance. Any remaining credit is credited to Additional Paid in Capital. As of December 31, 2017, the balance is \$10,136,411.

(F) Restricted Stock Grants

During the years ended December 31, 2017 and 2016, the Company granted 206,602 and 393,764 shares, respectively of restricted common stock for service and employee agreement. The Company estimated the fair value of the shares based on the most recent private placements of equity, totaling \$3,123,450, which is being recognized as stock compensation expense and capitalize over 1 or 2 years on straight-line basis. The company has \$869,750 and \$1,185,985 of total unrecognized stock compensation expense related to non-vested restricted stock units (“RSU”) for the years ended December 31, 2017 and 2016, respectively.

(G) Warrants

- During the year ended December 31, 2017, the Company issued 216,240 warrants in connection with the issuance of 216,240 shares of common stock at an exercise price in a range of \$5.00 and \$10.00 per share for a period of one years.
- During the year ended December 31, 2017, a shareholder exercised 32,473 warrants at \$0.62 for an aggregate price of \$20,133 in exchange for shares of common stock of the Company.

The following is a summary of the Company’s warrant activity for the years ended December 31, 2017 and 2016:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding as December 31, 2015	3,000,000	\$ 0.62	5.0 Year
Granted	—	\$ —	—
Outstanding as December 31, 2016	3,000,000	\$ 0.62	4.0 Year
Granted	216,240	\$ 10.00	1.0 Year
Exercised/Cancelled	(32,473)	\$ 0.62	—
Outstanding as December 31, 2017	\$ 3,183,767	\$ 1.26	\$ 1.0 Year

Note 8 Commitments and Contingencies

Employment Agreements

In May 2016, the Company entered into two employment agreements with two officers. According to the employment agreements, in addition to their annual salary as described on the employment agreement, each officer will be entitled to a signing bonus of 50,000 shares of restricted common

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stock of the Company. In addition, one of the officers would receive additional of 50,000 shares of restricted common stock upon the completion of twelve months of service. The other officer entitled an additional 50,000 shares on January 1, 2017 and an additional 50,000 shares on January 1, 2018. (See note 7F)

Consulting Agreements

On March 11, 2016, the Company entered consulting agreements with an outside consultant (“Consultant”). According to the consulting agreements, the Consultant is engaged to refine the Company’s overall business strategy and funding strategy. In addition, the consultant engaged to develop a scalable funding program. The services performed by the Consultant would be compensated at \$10,000 per month and the Company would grant the Consultant of 99,200 restricted shares upon commencement of the agreement. The initial term of this agreement would be three months and automatically renew for additional one-month until either party terminates the agreement.

On November, 2016, the Company entered consulting agreements with other consultants (“Consultants”). According to the consulting agreements, the Consultants are engaged to provide services for the development of strategic business relationships, corporate strategy, and network with potential patients and physicians. The services performed by the Consultants would be compensated by the issuance of Company restricted common stock for 24 months in range of 800 and 3,100 shares.

In 2017, the Company entered consulting agreements with various consultants (“Consultants”). According to the consulting agreements, the Consultants are engaged to provide services for the development of strategic business relationships, corporate strategy, and network with potential patients and physicians. Compensation for the services to be performed by the Consultants include the issuance of Company restricted common stock. Each consulting agreement has different offer, the offer is in a range of 750 and 50,000 shares and vesting period from twelve months up to twenty four months.

In addition, the Company entered consulting agreement with another consultant that would be compensated by paying a consulting fee of \$10,000 per month. Additionally, the Company will grant total of 100,000 restricted common shares to the consultant. The first 50,000 shares and second 50,000 shares will be vested twelve months and twelve four months from the date of agreement, respectively.

Also, the Company entered a consulting agreement on December 11, 2017 for a term of 6 months with Monster Media, LLC and the services provided by the consultant were compensated by \$200,000 USD on or before December 11, 2017 in the form of common stock at the lowest trading price in the last 30 days prior to the start of the agreement.

Note 9 Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets

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and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

At December 31, 2016, the Company has a net operating loss carryforward of approximately \$9,682,489 available to offset future taxable income expiring through 2036. Utilization of future net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code.

At December 31, 2017, the Company has a net operating loss carryforward of approximately \$15,626,477 available to offset future taxable income indefinitely. Utilization of future net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2017 and 2016.

The effects of temporary differences that gave rise to significant portions of deferred tax assets at December 31, 2017 and December 31, 2016 are approximately as follows:

	<u>2017</u>	<u>2016</u>
Net operating loss carryforward	\$ (15,626,477)	\$ (9,682,489)
Gross Deferred Tax Assets	\$ 4,141,016	\$ 3,921,408
Less Valuation Allowance	\$ <u>(4,141,016)</u>	\$ <u>(3,921,408)</u>
Total Deferred Tax Assets – Net	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

There was no income tax expense for the years ended December 31, 2017 and 2016 due to the Company's net losses.

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. The law includes significant changes to the US Corporate income tax system, including a Federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expenses and executive compensation and the transition of US international taxation from a worldwide tax system to a

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territorial tax system. As such, the Company's tax expense differs from the "expected" tax expense for the years ended December 31, 2017 and December 31, 2016, computed by applying the Federal Corporate rate of 21% to loss before taxes (35% for 2016 and prior) and 5.5% for Florida State Corporate Taxes (same for both years), are approximately as follows:

	<u>2017</u>	<u>2016</u>
Computed "expected" tax expense (benefit) – Federal	\$ (3,281,560)	\$ (3,388,871)
Computed "expected" tax expense (benefit) - State	\$ (859,456)	\$ (532,537)
Change in valuation allowance	\$ 4,141,016	\$ 3,921,408
	<u>\$ -</u>	<u>\$ -</u>

Note 10 Subsequent Events

On February 2, 2018, the Company entered into a refinance loan for the property located in Pompano Beach, Florida for \$500,000. The loan is payable monthly, interest only for the term of the loan at 12%. The loan maturity is on February 28, 2019.

On March 7, 2018, the Company entered into a consulting agreement with an outside consultant. According to the consulting agreement, the Consultant is focused on developing and commercializing its pharmaceutical, biologic, stem cell treatment, regenerative therapy, wellness, and environmental and blue technologies businesses. The services performed by the Consultant would be compensated with a grant of 50,000 restricted shares upon commencement of the agreement which shall vest over five years. Provided that this Agreement and the Term has not been terminated at such time, on January 1, 2019, the Company shall issue to the consultant a warrant to acquire 100,000 shares of common stock of the Company, at an exercise price of \$5.00 per share, which Warrant shall have a three year exercise period, and shall vest as to 25,000 of the Warrant Shares on January 1, 2019 and 25,000 Warrant Shares on each annual anniversary thereof for the following three years.

On March 16, 2018, the Company entered into a new employment agreement with an officer of the Company. According to the new employment agreement, the base salary for the officer is \$140,000. According to the employment agreement, in addition to their annual salary as described on the employment agreement, the officer will be entitled to, on each yearly anniversary of the Effective Date of the contract, number of shares of common stock, par value \$0.001 per share, of the Company having a total Market Value of \$85,000. The Market Value of the Share Award Shares shall be determined based on the weighted average closing trading price of the Common Stock on the OTC Markets for one month calendar period prior to the applicable year of the Term. The officer is also entitled to a warrant contract for 500,000 shares of restricted common stock.

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The Warrant shall vest and be exercisable as to 50,000 Warrant Shares on the first annual anniversary of the Effective date; the Warrant shall vest and be exercisable as to an additional 50,000 Warrant Shares on the second annual anniversary of the Effective date; the Warrant shall vest and be exercisable as to an additional 50,000 Warrant Shares on the third annual anniversary of the Effective date and the Warrant shall vest and be exercisable as to the remaining 50,000 Warrant Shares on the fourth annual anniversary of the Effective date, in each case subject to forfeiture as set forth herein.

On March 26, 2018 the company announced that it has signed a Letter of Intent (“LOI”) with CCM Pharma Solutions (“CCM”). The Company and CCM will co-develop New Drug Application (“NDA”) and Abbreviated New Drug Application (“ANDA”) through the 505(b)(2) accelerated Food and Drug Administration (“FDA”) approval process. The Company’s current development effort is increasingly directed towards improved solid-to-liquid drugs which follow an NDA 505(b)(2) regulatory pathway. The four initial products have been identified for co-development with CCM. With additional funding, the Company expects to increase its research and development emphasis on new product development, facilitated by the 505(b)(2) regulatory pathway, by advancing the product development program and identifying additional products for reformulation.

On March 31, 2018, the Company decided to terminate the employment agreement with its Chief Technology Officer. According to the agreement between the Company and the officer, the Company will return the right to use the platform that was developed by the officer. In addition, the remaining 50,000 shares due to the officer as outlined in its employment agreement will be not be issued.

On April 3, 2018, the Company entered consulting agreements with an outside consultant. According to the consulting agreements, the Consultant is engaged in developing and structuring the Company’s regenerative medicine business unit. The services performed by the Consultant would be compensated with a grant of 50,000 restricted shares upon commencement of the agreement which shall vest ratably over the last four years of the Initial Term (as defined below), such that no Shares shall vest for the first year of the Initial Term and thereafter 1/48th of the Shares shall vest each month of the Initial Term. In the event that this Agreement and the Term are terminated as set forth herein, any Shares which are not vested as of such termination shall be automatically forfeited without any further action of either party, and shall be of no further force or effect. Provided that this Agreement and the Term have not been terminated at such time, on January 1, 2019, the Company shall issue to Advisor a warrant to acquire 100,000 shares of common stock of the Company, at an exercise price of \$5.00 per share, which Warrant shall have a three year exercise period, and shall vest as to 25,000 of the Warrant Shares on January 1, 2019 and 25,000 Warrant Shares on each annual anniversary thereof for the following three years. In the event that this Agreement and the Term are terminated as set forth herein, the Warrant and any Warrant Shares which are not vested as of such termination shall be automatically forfeited without any further action of either Party, and shall be of no further force or effect. The initial term of this agreement would be six months and automatically renew for additional one-month until either

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party terminates the agreement.

On April 5, 2018 the company entered into new employment agreement with an officer of the company. According to the new employment agreements, the base salary for the officer is \$110,000. According to the employment agreement, in addition to their annual salary as described on the employment agreement, the officer will be entitled to, on each yearly anniversary of the Effective Date of the contract the Company shall issue to Executive a number of shares of common stock, par value \$0.001 per share, of the Company having a total Market Value of \$115,000. The Market Value of the Share Award Shares shall be determined based on the weighted average closing trading price of the Common Stock on the OTC Markets for one month calendar period prior to the applicable year of the Term. The officer is also entitled to a warrant contract for 500,000 shares of restricted common stock. The Warrant shall vest and be exercisable as to 50,000 Warrant Shares on the first annual anniversary of the Effective date; the Warrant shall vest and be exercisable as to an additional 50,000 Warrant Shares on the second annual anniversary of the Effective date; the Warrant shall vest and be exercisable as to an additional 50,000 Warrant Shares on the third annual anniversary of the Effective date and the Warrant shall vest and be exercisable as to the remaining 50,000 Warrant Shares on the fourth annual anniversary of the Effective date, in each case subject to forfeiture as set forth herein.

The Company has evaluated all other transactions and events after the balance sheet date through April 15, 2018, the date on which these financials were available to be issued, and except as already included in the notes to these financial statements, has determined that no additional disclosures are required.