REPLICEL LIFE SCIENCES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the three months ended March 31, 2012

(<u>Stated in Canadian Dollars</u>)

REPLICEL LIFE SCIENCES INC.
Condensed Consolidated Interim Statements of Financial Position
(Stated in Canadian Dollars)
(Unaudited)

	Notes		March 31, 2012		December 31, 2011
Assets					
Current assets					
Cash		$	**1,597,790**	$	565,143
Sales taxes recoverable			**17,006**		27,045
Prepaid expenses			**63,775**		20,644
			1,678,571		612,832
Non-current assets					
Equipment	5		**18,241**		18,587
Total assets		$	**1,696,812**	$	631,419
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	8	$	**418,627**	$	153,694
Advances payable	6		**74,933**		76,275
			493,560		229,969
Non-current liabilities					
Warrants denominated in a foreign currency	7g		**483,777**		-
Total liabilities			**977,337**		229,969
Shareholders' equity					
Common shares	7		**7,192,039**		6,266,739
Share subscriptions	7		**25,000**		-
Contributed surplus	7		**1,124,121**		1,004,932
Accumulated deficit			**(7,621,685)**		(6,870,221)
Attributable to owners' of the parent			**719,475**		401,450
Attributable to the non-controlling interest			**-**		-
Total shareholders' equity			**719,475**		401,450
Total liabilities and shareholders' equity		$	**1,696,812**	$	631,419

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

Approved on behalf of the Board:

/s/ "David Hall"
Director

/s/ "Peter Jensen"
Director

REPLICEL LIFE SCIENCES INC.
Condensed Consolidated Interim Statement of Comprehensive Loss
For the three months ended
(Stated in Canadian Dollars)
(Unaudited)

	For the three months ended	
	March 31, 2012	March 31, 2011
Clinical development expenses		
Clinical trials costs	**$ 171,454**	$ 182,583
Research and development expenses		
Consulting fees (Note 8)	**65,198**	38,000
Intellectual property costs	**26,052**	14,048
General and administrative expenses		
Accounting and audit fees	**7,095**	11,401
Depreciation (Note 5)	**1,368**	2,380
Computer and IT expenses	**1,431**	5,111
Consulting fees (Note 8)	**20,000**	39,250
Insurance	**12,710**	10,199
Legal fees (Note 8)	**15,876**	17,228
Marketing consulting fees	**71,671**	47,613
Office and telephone	**21,551**	20,533
Rent (Note 8)	**21,533**	10,500
Salaries (Note 8)	**177,384**	139,094
Stock-based compensation (Notes 4 and 7)	**119,189**	335,292
Travel and promotion	**16,872**	22,972
Change in fair value of warrants denominated in a foreign currency (Note 7g)	**(1,742)**	-
Foreign exchange loss	**3,822**	1,094
Total comprehensive loss	**$ 751,464**	$ 897,298
Total comprehensive loss attributable to non-controlling Interest	**$ -**	$ 183,915
Total comprehensive loss attributable to owners' of the Parent	**751,464**	713,383
Basic and diluted loss per share	**$ (0.02)**	$ (0.03)
Weighted average shares outstanding	**41,002,784**	25,655,961

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

REPLICEL LIFE SCIENCES INC.
Condensed Consolidated Interim Statement of Cash Flows
For the three months ended
(Stated in Canadian Dollars)
(Unaudited)

		For the three months ended		
		March 31, 2012		March 31, 2011
Operating activities				
Net loss and comprehensive loss	$	**(751,464)**	$	(897,298)
Add items not involving cash:				
Depreciation		**1,368**		2,380
Stock-based compensation		**119,189**		335,292
Change in fair value of warrants denominated in a foreign currency		**(1,742)**		-
Changes in non-cash working capital balances:				
Sales taxes recoverable		**10,039**		(4,279)
Prepaid expenses		**(43,131)**		(27,249)
Accounts payable and accrued liabilities		**264,932**		(370,629)
Advances payable		**(1,342)**		(2,131)
Net cash used in operating activities		**(402,151)**		(963,914)
Investing activities				
Purchase of Equipment		**(1,021)**		(2,924)
Net cash used in investing activities		**(1,021)**		(2,924)
Financing activities				
Subscriptions received		**25,000**		-
Issuance of common shares		**1,410,819**		2,482,170
Net cash provided by financing activities		**1,435,819**		2,482,170
Increase in cash during the period		**1,032,647**		1,515,332
Cash , beginning of the period		**565,143**		1,211,525
Cash , end of the period	$	**1,597,790**	$	2,726,857

Non-cash transactions (Note 12)

The accompanying notes form an integral part of these condensed consolidated interim financial statements

REPLICEL LIFE SCIENCES INC.
Condensed Consolidated Interim Statement of Changes in Equity (Deficiency)
For the three months ended March 31, 2011 and 2012 and for the year ended December 31, 2011
(Stated in Canadian Dollars)
(Unaudited)

	Attributable to the Owners' of the Parent										Attributable To Non-Controlling Interest	
	Common Stock			Series B Preferred Shares		Series C Preferred Shares						
	Shares	Amount	Share Subscriptions	Shares	Amount	Shares	Amount	Contributed Surplus	Accumulated Deficit	**Total**		**Total**
Balance, January 1, 2011	27,053,960	$ 3,344,320	$ -	5,577,580	$ -	7,577,580	$ 204	$ 235,705	$ (3,219,782)	**$ 360,447**	**$ 325,000**	**$ 685,447**
Private placement – Note 7b	2,651,200	2,482,170	-	-	-	-	-	-	-	**2,482,170**	**-**	**2,482,170**
Increase in non-controlling interest attributable to issuance of shares for cash to parent – Note 4	-	-	-	-	-	-	-	-	(505,345)	**(505,345)**	**505,345**	**-**
Exchange of shares – Note 4	3,695,897	-	-	1,847,949	-	1,847,949	-	-	65,576	**65,576**	**(65,576)**	**-**
Stock based compensation – Note 7 / Escrow release – Note 4	-	178,045	-	-	-	-	-	157,247	-	**335,292**	**-**	**335,292**
Net loss for the period	-	-	-	-	-	-	-	-	(713,383)	**(713,383)**	**(183,915)**	**(897,298)**
Balance, March 31, 2011	33,401,057	$ 6,004,535	$ -	7,425,529	$ -	9,425,529	$ 204	$ 392,952	$ (4,372,934)	**$ 2,024,757**	**$ 580,854**	**$ 2,605,611**

REPLICEL LIFE SCIENCES INC.
Condensed Consolidated Interim Statement of Changes in Equity (Deficiency)
For the three months ended March 31, 2011 and 2012 and for the year ended December 31, 2011
(Stated in Canadian Dollars)
(Unaudited)

	Attributable to the Owners' of the Parent										**Attributable To Non-Controlling Interest**	
	Common Stock			Series B Preferred Shares		Series C Preferred Shares						
	Shares	Amount	Share Subscriptions	Shares	Amount	Shares	Amount	Contributed Surplus	Accumulated Deficit	**Total**		**Total**
Balance, January 1, 2012	43,150,008	$ 6,266,739	$ -	-	$ -	-	$ -	$ 1,004,932	$ (6,870,221)	**$ 401,450**	**$ -**	**$ 401,450**
Shares issued for cash at USD $1.50 – Note 7b	942,346	925,300	-	-	-	-	-	-	-	**925,300**	**-**	**925,300**
Share subscriptions	-	-	25,000	-	-	-	-	-	-	**25,000**	**-**	**25,000**
Stock based compensation – Note 7	-	-	-	-	-	-	-	119,189	-	**119,189**	**-**	**119,189**
Net loss for the period	-	-	-	-	-	-	-	-	(751,464)	**(751,464)**	**-**	**(751,464)**
Balance, March 31, 2012	44,092,354	$ 7,192,039	$ 25,000	-	$ -	-	$ -	$ 1,124,121	$ (7,621,685)	**$ 719,475**	**$ -**	**$ 719,475**

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

REPLICEL LIFE SCIENCES INC.
Condensed Consolidated Interim Statement of Changes in Equity (Deficiency)
For the three months ended March 31, 2011 and 2012 and for the year ended December 31, 2011
(Stated in Canadian Dollars)
(Unaudited)

	Attributable to the Owners' of the Parent										Attributable To Non-Controlling Interest	
	Common Stock			Series B Preferred Shares		Series C Preferred Shares						
	Shares	Amount	Share Subscriptions	Shares	Amount	Shares	Amount	Contributed Surplus	Accumulated Deficit	**Total**		**Total**
Balance, January 1, 2011	27,053,960	$ 3,344,320	$ -	5,577,580	$ -	7,577,580	$ 204	$ 235,705	$ (3,219,782)	**$ 360,447**	**$ 325,000**	**$ 685,447**
Net loss for the period	-	-	-	-	-	-	-	-	(3,493,960)	**(3,493,960)**	**(219,479)**	**(3,713,439)**
Private placement – Note 7b	2,651,200	2,482,170	-	-	-	-	-	-	-	**2,482,170**	**-**	**2,482,170**
Increase in non-controlling interest attributable to issuance of shares for cash to parent – Note 4	-	-	-	-	-	-	-	-	(505,345)	**(505,345)**	**505,345**	**-**
Exchange of shares – Note 4	10,844,846	262,000	-	5,422,420	-	5,422,420	-	-	348,866	**610,866**	**(610,866)**	**-**
Cancellation of shares – Note 4	2,600,002	204	-	(11,000,000)	-	(13,000,000)	(204)	-	-	**-**	**-**	**-**
Stock based compensation – Note 7 / Escrow release – Note 4	-	178,045	-	-	-	-	-	769,227	-	**947,272**	**-**	**947,272**
Balance, December 31, 2011	43,150,008	$ 6,266,739	$ -	-	$ -	-	$ -	$ 1,004,932	$ (6,870,221)	**$ 401,450**	**$ -**	**$ 401,450**

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

1. Corporate Information

RepliCel Life Sciences Inc. ("the Company" or "RepliCel") was incorporated under the Ontario Business Corporations Act on April 24, 1967. The Company's reporting jurisdiction is British Columbia. Its common shares are listed for trading in the United States on the OTCBB, trading under the symbol REPCF.

The address of the Company's corporate office and principal place of business is Suite 1225 – 888 Dunsmuir Street, Vancouver, BC, V6C 3K4.

2. Basis of Presentation and Summary of Significant Accounting Policies

These condensed interim financial statements for the three month period ended March 31, 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2011 annual financial statements. The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated.

The condensed interim financial statements were authorized for issue by the Board of Directors on May 30, 2012.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

a) Going Concern of Operations

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its obligations and commitments in the normal course of operations. At March 31, 2012, the Company is in the research stage, and has accumulated losses of $7,621,685 since its inception and expects to incur further losses in the development of its business, which casts substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has a plan in place to address this concern and intends to obtain additional funds by equity financing to the extent there is a shortfall from operations. While the Company is continuing its best efforts to achieve the above plans, there is no assurance that any such activity will generate funds for operations.

If the going concern assumptions were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

(Stated in Canadian Dollars)

2. Basis of Presentation and Summary of Significant Accounting Policies - *Continued*

b) Principles of Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2012, and the results of all subsidiaries for the period then ended.

Details of controlled entities are as follows:

	Country of Incorporation	Percentage Owned March 31, 2012	Percentage Owned December 31, 2011
TrichoScience Innovations Inc.	Canada	100%	100%
583885 BC Ltd. (Note 2 d) [i]	Canada	- %	- %

i. 583885 BC Ltd. was dissolved on July 29, 2011.

c) Derivative liabilities

Derivative instruments, including embedded derivatives, are measured at fair value with any changes in the fair values of derivative instruments being recognized in profit and loss with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges. The disclosure of the Company's financial instruments is further described in Note 9.

d) Accounting Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later periods. The following new standards, amendments and interpretations, which have not been early adopted in these consolidated financial statements, will or may have an effect on the Company's future results and financial position:

- IFRS 9 Financial Instruments

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

- IFRS 10 Consolidated Financial Statements

  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

2. Basis of Presentation and Summary of Significant Accounting Policies - *Continued*

- IFRS 13 Fair Value Measurement

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- Amendment to IAS 1 Presentation of Financial Statements

  The amendments to IAS 1 revise the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss. The standard is effective for annual periods beginning on or after July 1, 2012. The Company is in the process of evaluating the impact of the amendments on the presentation of the income statement.

There are no other IFRSs or IFRC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Critical Accounting Estimates and Judgements

RepliCel Life Sciences Inc. makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies and sources of estimation uncertainty that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are the same as those that applied to the Company's 2011 annual financial statements.

4. Reverse Takeover Transaction

On December 22, 2010, RepliCel closed a Share Exchange Agreement with TrichoScience Innovations Inc. ("TrichoScience") and with certain accepting shareholders of TrichoScience, whereby RepliCel (formerly Newcastle Resources Ltd.) acquired 50.7% (4,860,000) of the issued and outstanding shares of TrichoScience in exchange for 11,155,165 common shares (at an exchange ratio of 2.2958), 5,577,580 Class B preferred shares and 5,577,580 Class C convertible preferred shares of RepliCel (the "Acquisition"). Also at closing, RepliCel acquired an additional 1,000,000 common shares of TrichoScience for $1,000,000 ("Investment One"), thereby increasing RepliCel's ownership in

(Stated in Canadian Dollars)

4. Reverse Takeover Transaction - *Continued*

TrichoScience to 55.4% at December 31, 2010, resulting in 63% of the voting rights in RepliCel being held by former Trichoscience shareholders.

TrichoScience was incorporated under the Canada Business Corporations Act on September 7, 2006 and is currently in the research and development stage and therefore has not yet realized any revenues from its planned operations.

As the former shareholders of TrichoScience controlled 63% of the issued voting shares of RepliCel after the closing of the transaction, the transaction was accounted for as TrichoScience being the continuing entity and the resulting consolidated financial statements are presented as a continuation of TrichoScience. At the date the share exchange was completed the common stock of RepliCel became 22,653,960 common shares, comprising of 11,155,165 common shares issued to participating shareholders of TrichoScience and 11,498,795 common shares held by existing RepliCel shareholders (total common shares 22,653,960). During the year ended December 31, 2011 the remaining TrichoScience shareholders tendered 4,724,800 TrichoScience shares in exchange for 10,844,846 common shares of RepliCel.

As TrichoScience is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated balance sheets for the continuing entity at their historical carrying values. The Company's assets and liabilities at the date of the transaction are also included in the consolidated balance sheets at their historical carrying values.

RepliCel is not considered a business as defined by IFRS. As a result, at the date of the acquisition, the transaction was accounted for as a share based payment transaction under IFRS 2 Share Based Payments whereby TrichoScience is deemed to have issued shares in exchange for the net assets of RepliCel together with the listing status of RepliCel.

The net identifiable assets of RepliCel at the date of the acquisition were as follows:

Cash	$	1,109,664
Sales taxes recoverable		19,319
Prepaid expenses		13,392
Accounts payable and accrued liabilities		(71,035)
Advances payable		(75,015)
Net assets acquired	$	996,325

The Company recognized $85,000 as listing expense during the year ended December 31, 2010, being the difference between the fair value of the share based payment of $1,081,325 and the net identifiable assets received. The fair value of the share based payment was determined with reference to the fair market value of Newcastle, (now RepliCel) shares that would have been received by the shareholders of TrichoScience had 100% of the shares been exchanged. The fair value of each Newcastle, (now RepliCel) share was determined with reference to the price at which the shares had been sold in arms' length transaction prior to the acquisition.

At closing, the TrichoScience shareholders who received shares of RepliCel in connection with the closing deposited the common shares with a trustee pursuant to the terms of a pooling agreement between RepliCel and the trustee. The common shares are subject to a timed release schedule under which 15% of the shares will be released on the first day of each of the fiscal quarters occurring after the first anniversary of the closing.

4. Reverse Takeover Transaction - *Continued*

Non-Controlling Interest

At closing, certain shareholders of TrichoScience did not exchange their shares for shares of RepliCel (the "Non-Accepting Shareholders") and, as such, are treated as a non-controlling interest in the consolidated financial statements. In a reverse acquisition, the non-controlling interest reflects the non-controlling shareholders' proportionate interest in the pre-combination carrying amounts of the legal acquiree's net assets. The non-controlling interest at December 22, 2010 was 44.6% and the Company recorded a non-controlling interest of $325,000, representing the non-controlling interest of the net book value of the net assets of TrichoScience, with a $62,000 increase in accumulated deficit reflecting the Company's proportionate increase in ownership in TrichoScience.

During the year ended December 31, 2011, RepliCel purchased 2,050,000 newly issued common shares of TrichoScience for $2,050,000 ("Investment Two"). As a result, the non-controlling interest increased by $505,345 representing the non-controlling interests' proportionate share in Investment Two.

The remaining 4,724,800 shares of TrichoScience were tendered for exchange by the Non-Accepting Shareholders in exchange for 10,844,848 common shares with an ascribed fair value of $262,000, 5,422,420 Series B Preferred Shares and 5,422,420 Series C Preferred Shares of the Company. As a result the non-controlling interest was eliminated and the Company recorded an adjustment of $348,866 into deficit attributable to the Owners' of the Parent, representing a decrease in the non-controlling interest of the net book value of the net assets of TrichoScience.

At December 31, 2011, 100% percent of the non-accepting shareholders have tendered their shares in exchange for RepliCel shares. As a result of achieving Investment One and Investment Two, TrichoScience is now 100% owned subsidiary of RepliCel. As a result, the Class B preferred shares were extinguished for no consideration. There is no non-controlling interest at March 31, 2012 (December 31, 2011: $nil).

Class B and C Preferred Shares

No amount of the value assigned to share capital issued with the Share Exchange Agreement was allocated to the Class B preferred shares or the Class C convertible preferred shares due to these shares having assessed nominal value of $204 at the time of closing. The Class B preferred shares have been extinguished, as the Company has achieved the following milestones during the year ended December 31, 2011:

- RepliCel purchased common shares of TrichoScience in aggregate amount of not less than $3,000,000 and RepliCel raised the proceeds to make these investments by selling its shares at not less than $1 per share (completed); and

- RepliCel acquired at least 90% of the issued and outstanding common shares of TrichoScience (completed).

Each Class C convertible preferred share is voting and convertible into ½ of one common share of RepliCel upon approval by the United States Food and Drug Administration of the commercial sale of TrichoScience's hair cell replication technology in the United States. Other than transfers of Class C Shares amongst original shareholders of TrichoScience Innovations Inc., the Class C convertible preferred shares cannot be sold, transferred or otherwise disposed of without the consent of the Company's directors.

4. Reverse Takeover Transaction - *Continued*

Class B and C Preferred Shares - *Continued*

During the year-ended December 31, 2011, 13,000,000 of the Company's Class C preferred shares (each, a "Class C Share"), being all the issued and outstanding Class C Shares, were converted, on a 5:1 ratio, into 2,600,002 common shares of the Company (each, a "Common Share") by the holders thereof. All of the Common Shares issued on conversion of the Class C Shares have been deposited with a trustee pursuant to the terms of pooling agreements between RepliCel, the trustee and the respective shareholders. The Common Shares are subject to a timed release schedule under which 15% of the shares will be released on the first day of each of the fiscal quarters beginning January 1, 2013. Following the conversion, a total of 43,150,008 Common Shares are issued and outstanding.

583885 B.C. Ltd.

Concurrent with the reverse acquisition, RepliCel also acquired all of the issued and outstanding common shares of 583885 B.C. Ltd. ("583885") in exchange for 4,400,000 common shares of RepliCel. 583885 did not have any assets or liabilities at the date of acquisition and was a private company controlled by RepliCel's incoming Chief Executive Officer ("CEO"). 3,400,000 shares of RepliCel controlled by the Company's CEO were deposited with an escrow agent pursuant to the terms of an escrow agreement between RepliCel and the escrow agent. These shares will be released upon satisfaction of certain performance conditions as set out in the escrow agreement and each release of shares from escrow will be considered a compensatory award.

During the period ended March 31, 2012 no performance conditions were met (Year ended December 31, 2011: performance conditions with respect to 350,000 shares had been achieved, being the completion of Investment Two described above, and $178,045 representing the fair value of the shares released from escrow on the date of release) was recorded as stock-based compensation). Compensation expense relating to the transaction date fair value of the remaining 2,200,000 common shares will be recognized in the period the respective performance condition is probable and amortized over the period until the performance condition is met.

At March 31, 2012, there were 2,200,000 common shares held in escrow (December 31, 2011: 2,200,000 common shares).

The other 1,000,000 common shares issued were not subject to escrow provisions and thus were fully vested, non-forfeitable at the date of issuance. Stock based compensation of $Nil (representing the fair value of the shares issued) was recognized for these shares during the period ended March 31, 2012 (March 31, 2011: $178,045).

(Stated in Canadian Dollars)

5. Equipment

	Furniture and Equipment	Computer Equipment	Total
Cost:			
At December 31, 2011	$ 6,995	$ 19,704	**$ 26,699**
Additions	1,021	-	**1,021**
Disposals	-	-	**-**
At March 31, 2012	8,016	19,704	**27,720**
Depreciation:			
At December 31, 2011	1,868	6,244	**8,112**
Charge for the period	359	1,009	**1,368**
Elimination on disposal	-	-	**-**
At March 31, 2012	2,226	7,253	**9,479**
Net book value at March 31, 2012	$ 5,790	$ 12,451	**$ 18,241**

	Furniture and Equipment	Computer Equipment	Total
Cost:			
At December 31, 2010	$ 25,880	$ 16,258	**$ 42,138**
Additions	-	12,929	**12,929**
Disposals	(18,885)	(9,483)	**(28,368)**
At December 31, 2011	6,995	19,704	**26,699**
Depreciation:			
At December 31, 2010	5,311	4,079	**9,390**
Charge for the period	1,882	5,710	**7,592**
Elimination on disposal	(5,325)	(3,545)	**(8,870)**
At December 31, 2011	1,868	6,244	**8,112**
Net book value at December 31, 2011	$ 5,127	$ 13,460	**$ 18,587**

6. Advances Payable

Advances payable of $74,933 (US$75,000) is from an unrelated third party. Advances payable are unsecured, non-interest bearing and have no specific terms of repayment.

7. Share Capital

a) Authorized:

Unlimited common shares without par value
Unlimited Class A non-voting, convertible, redeemable, non-cumulative 6% preferred shares without par value

b) Issued and Outstanding:

During the three months ended March 31, 2012:

(i) The Company completed a private placement of 942,346 common shares at US$1.50 per share for proceeds of $1,410,819 (US$1,413,519). Each unit issued consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at US$2.50 per share for a period of 24 months from the closing of the Financing. As the share purchase warrants are denominated in a currency other than the Company's functional currency, the fair value of the share purchase warrants is recognized as a derivative liability. The fair value on issuance was determined to be $485,520, through use of the Black-Scholes Model. Assumptions applied by management were as follows: (1) risk-free rate of 1.10%; (2) dividend yield of nil; (3) an expected volatility of 89%; (4) an expected life of 24 months; and (5) an exercise price of US$2.50. These warrants have been included in the share warrant data presented in Note 7g.

(ii) The Company received $25,000 in share subscriptions at US$1.50 per common share.

During the year ended December 31, 2011:

(iii) The Company completed a private placement of 2,550,000 common shares at US$1.00 per share for proceeds of $2,482,170 (US$2,550,000). A finder's fee of 101,200 common shares was issued in connection with the private placement with a fair value of $98,164 (US$101,200).

(iv) The Company acquired 4,724,800 common shares of TrichoScience pursuant to the Non-Accepting Shareholders tendering their shares in exchange for 10,844,848 common shares, 5,422,420 Class B preferred shares and 5,422,420 Class C preferred shares in RepliCel. (Note 4).

c) Stock Option Plans:

(i) Under various Founders' Stock Option Agreements, certain founders of TrichoScience granted stock options to acquire TrichoScience shares to employees and consultants of TrichoScience. These founders' options are exercisable at $1 per share with 1/3 vesting one year from the date of grant and the remaining 2/3 vesting on a monthly basis over between 24-month and 36-month periods expiring after six to seven years. Pursuant to the Share Exchange Agreement, the Founders Stock Option Agreements were converted into rights to receive the number of Founders' RepliCel shares acquired by conversion of the founders TrichoScience shares under the Share Exchange Agreement. All other terms remained the same. This modification of stock options resulted in no incremental value and therefore no additional stock based compensation expense was recognized for the modification.

(ii) On December 22, 2010, the Company approved a Company Stock Option Plan whereby the Company may grant directors, officers, employees and consultants' stock options. The maximum number of shares reserved for issue under the plan cannot exceed 10% of the outstanding common shares of the Company as at the date of the grant. The stock options can be exercisable for a maximum of 7 years from the grant date and with various vesting terms.

(Stated in Canadian Dollars)

7. Share Capital - *Continued*

d) Fair value of Options Issued from January 1, 2011 to March 31, 2012

On January 3, 2012 under the Company Stock Option Plan, 100,000 options were granted to a consultant of the Company. The options are exercisable at US$2.35 per share and expire on January 3, 2019. The options vest according to specific milestones.

On March 11, 2011, under the Company Stock Option Plan, 1,350,000 options were granted to the directors, officers and consultants of the Company. The options are exercisable at US$1.00 per share and expire on March 11, 2018. The options vest over a three year period.

During the year ended December 31, 2010, under the Company Stock Option Plan 1,485,000 options were granted to the directors, officers and consultants of the Company. The options are exercisable at US$0.50 per share and expire July 13, 2017. The options fully vested during the year ended December 31, 2011.

The weighted-average grant date fair value of options granted was estimated using the following weighted average assumptions:

	Founders Stock Options	December 22, 2010 Company Stock Options	March 11, 2011 Company Stock Options	January 3, 2012 Company Stock Options
Risk-free interest rate	2.81%	2.66%	2.88%	1.71%
Weighted-average expected life	6.55 years	7.00 years	7.00 years	7.00 years
Expected volatility	81%	81%	81%	81%
Expected dividends	Nil	Nil	Nil	Nil
Expected forfeiture rate	0%	0%	0%	0%
Fair value	0.17	0.17	0.72	1.01

The volatility assumption is based on the pattern and level of historical volatility of a sample of entities in the life sciences industry for the first seven years in which the shares of those entities were publicly traded.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the expected forfeiture rate and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

(Stated in Canadian Dollars)

7. Share Capital - *Continued*

e) Stock-based Compensation

The Company recognized a fair value of $119,189 as stock based compensation expense in the statement of comprehensive loss for the three months ended March 31, 2012; (March 31, 2011- $157,246 for stock options granted under the Company Stock Option Plan and the Founders Stock Option Agreements, and $178,045 for the release of escrow shares).

A summary of the status of the stock options outstanding under the Company Stock Option Plan for the three months ended March 31, 2012 is as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding, January 1, 2011	2,835,000	$	US 0.74
Granted	100,000		US 2.35
Exercised	-		-
Forfeited	-		-
Outstanding, March 31, 2012	2,935,000		US 0.79
Exercisable, March 31, 2012	2,160,000		US 0.66
Outstanding, December 31, 2010	1,485,000	$	US 0.50
Granted	1,350,000		US 1.00
Exercised	-		-
Forfeited	-		-
Outstanding, December 31, 2011	2,835,000	$	US 0.74
Exercisable, December 31, 2011	1,822,500	$	US 0.59

The range of exercise prices for options outstanding under the Company Stock Option Plan as at March 31, 2012 is $0.50 - $2.35 US. The weighted average remaining contractual life for stock options under the Company Stock Option Plan as at March 31, 2012 is 5.64 years.

f) Escrow Shares

Pursuant to the Acquisition described in Note 4, at March 31, 2012:

i) 2,200,000 (December 31, 2011: 2, 200,000) common shares are held in escrow and are to be released upon the occurrence of certain milestones relating to the Company's hair cell replication technology. These shares have been excluded from the calculation of loss per share. During the three months ended March 31, 2012, no shares were released from escrow (March 31, 2011: 350,000). The Company recognized a fair value of $nil (March 31, 2011: $178,045) as stock based compensation expense in the statement of operations for the period.

(Stated in Canadian Dollars)

7. Share Capital - *Continued*

f) Escrow Shares - *Continued*

ii) 20,326,737 (December 31, 2011: 22,000,011) common shares are held in escrow under a pooling agreement and are subject to a timed release schedule under which:

a) 15% will be released on the first day of the Company's fiscal quarter beginning after the one year anniversary of the share exchange (the "First Quarter");
b) 15% will be released on the first day of each of the Company's next five fiscal quarters after the First Quarter;
c) the remaining 10% will be released on the first day of the ninth fiscal quarter after the First Quarter.

As the release of these shares is certain, they have been included in the calculation of loss per share. At March 31, 2012, 1,673,274 shares have been released from escrow (December 31, 2011: nil).

g) Warrants denominated in a foreign currency

The continuity of the number of warrants denominated in another currency, each exercisable into one common share, is as follows:

	Warrants Outstanding		Weighted Average Exercise Price
Outstanding, December 31, 2011	-	$	-
Issued (i)	942,346		US 2.50
Outstanding, March 31, 2012	942,346	$	US 2.50

i) Of the 942,346 warrants issued, 66,304 expire on March 1, 2014 and 876,042 expire on March 29, 2014.

As the warrants are denominated in a currency other than the Company's functional currency, they meet the definition of a financial liability and accordingly are presented as such on the Company's consolidated statement of financial position and are fair valued at each reporting period. The fair value is determined using a Black-Scholes Model. Assumptions applied by management were as follows: (1) risk-free rate of 1.20%; (2) dividend yield of nil; (3) an expected volatility of 89%; (4) an expected life of 24 months; and (5) an exercise price of US$2.50.

The change in the fair value of the warrants for the three months ended March 31, 2012 was $1,742 (March 31, 2011 - $nil) and was recorded in the statement of comprehensive loss.

		March 31, 2012		December 31, 2011
Warrants denominated in a foreign currency, opening balance	**$**	**-**	$	-
Fair value of warrants issued		**485,520**		-
Change in fair value of warrants		**(1,742)**		-
Warrants denominated in a foreign currency, closing balance	**$**	**483,777**	$	-

(Stated in Canadian Dollars)

8. Related Party Transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

		March 31, 2012		December 31, 2011
Companies controlled by directors of the Company	**$**	**106,187**	$	10,000
Directors or officers of the Company		**5,000**		9,596
	$	**111,187**	$	19,596

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions

The Company incurred the following transactions with companies that are controlled by directors and/or officers of the Company. The transactions were measured at the exchange amount which approximates fair value, being the amount established and agreed to by the parties.

	Three months ended			
		March 31, 2012		March 31, 2011
Research and development consulting fees	**$**	**36,453**	$	38,000
Clinical trial costs		**99,576**		-
Administrative consulting fees		**-**		28,000
Rent		**-**		9,000
Legal fees		**-**		6,346
	$	**136,029**	$	81,346

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive directors, the Chief Executive Officer and the Chief Financial Officer.

	Three months ended			
		March 31, 2012		March 31, 2011
Short-term employee benefits – salaries and wages	**$**	**90,000**	$	99,000
Stock-based compensation		**32,639**		262,796
	$	**122,639**	$	361,796

9. Financial Instruments and Risk Management

As at March 31, 2012, the Company's financial instruments are comprised of cash, accounts payable and accrued liabilities, advances payable and warrants denominated in a foreign currency.

The fair values of cash, accounts payable and accrued liabilities and advances payable approximate their carrying value due to their short-term maturity.

9. Financial Instruments and Risk Management - *Continued*

The Company is exposed through its operations to the following financial risks:

- Currency risk
- Credit risk
- Liquidity risk
- Interest rate risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has an exposure to the European Euros as certain expenditures and commitments are denominated in European Euros and the Company is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. In addition, the Company holds a significant amount of cash in US dollars and is therefore exposed to exchange rate fluctuations on these cash balances. The Company does not hedge its foreign exchange risk. At March 31, 2012 the Company held cash balances of $851,982 US (December 31, 2011: $302,611). A 1% increase/decrease in the USD foreign exchange rate would have an impact of ±$8,520 on the cash balance held at March 31, 2012.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure, more specifically, the issuance of new common shares, to ensure there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and potential equity financing opportunities. The Company believes that these sources will be sufficient to cover the known short and long-term requirements at this time. There is no assurance that potential equity financing opportunities will be available to meet these obligations.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities as at March 31, 2012:

Year of expiry	Accounts payable and accrued liabilities	Advances payable	Total
Within 1 year	$ 418,627	$ 74,933	$ 493,560

(Stated in Canadian Dollars)

9. Financial Instruments and Risk Management - *Continued*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in an interest bearing bank account, management considers the interest rate risk to be limited. Advances payable are non-interest bearing and therefore are not subject to interest rate risk.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	Classification	March 31, 2012	December 31, 2011
Cash	Loans and receivables	$ 1,597,790	$ 565,143
		$ 1,597,790	$ 565,143

Financial liabilities included in the statement of financial position are as follows:

	Classification	March 31, 2012	December 31, 2011
Non-derivative financial liabilities:			
Accounts payable and accrued liabilities	Financial liabilities	$ 418,627	$ 153,694
Advances payable	at amortized cost	74,933	76,275
Derivative financial liabilities:			
Warrants denominated in a foreign currency	Fair value through profit or loss	483,777	-
		$ 977,337	$ 229,969

10. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the Company's objectives. In order to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to advance its technology.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders equity and working capital as components of its capital base. The Company can access or increase capital through the issuance of shares, and by sustaining cash reserves by reducing its capital and operational expenditure program. Management primarily funds the Company's expenditures by issuing share capital, rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties.

10. Capital Management - *Continued*

There has been no change in the Company's approach to capital management during the three months ended March 31, 2012.

11. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flow. There were no non-cash transactions during the three months ended March 31, 2012. During the three months ended March 31, 2011, the Company acquired 1,610,200 common shares of TrichoScience in exchange for 3,695,897 common shares, 1,847,949 Series B Preferred Shares and 1,847,949 Series C Preferred Shares of the Company.

12. Segmental Reporting

The Company is organized into one business unit based on its hair cell replication technology and has one reportable operating segment.

13. Events After the Reporting Date

On April 18, 2012 the Company granted 790,000 options to employees and consultants to the Company. The options vest over a period of three years and are exercisable at US$1.50 per share until April 18, 2019.

The Company completed a private placement (the "Financing") of 932,700 units at US$1.50 per unit for proceeds of $1,385,921 (US$1,399,050), $25,000 of which was received during the three months ended March 31, 2012. Each unit issued consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at US$2.50 per share for a period of 24 months from the closing of the Financing. A finder's fee of $36,000 was issued in connection with the Financing. As a result of the Financing, pursuant to Note 4), the performance condition with respect to 500,000 shares held in escrow had been achieved; as a result these shares have been released from escrow.

The Company issued 250,000 share purchase warrants (the "Warrants"). The Warrants entitle the holder to purchase one additional common share of the Company ("Warrant Share") at a price of US$2.00 per Warrant Share until May 17, 2016.