BIOTIME INC
Form 10-Q
August 02, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **1-12830**

BioTime, Inc.

(Exact name of registrant as specified in its charter)

California	**94-3127919**

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

1010 Atlantic Avenue, Suite 102

Alameda, California 94501

(Address of principal executive offices)

(510) 521-3390

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 126,877,327 common shares, no par value, as of July 23, 2018.

PART 1—FINANCIAL INFORMATION

Statements made in this Report that are not historical facts may constitute forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed. Such risks and uncertainties include but are not limited to those discussed in this Report under Item 1 of the Notes to Condensed Consolidated Interim Financial Statements, and under Risk Factors in this Report. Words such as "expects," "may," "will," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and similar expressions identify forward-looking statements.

References to "we" means BioTime, Inc. and its subsidiaries unless the context otherwise indicates.

The description or discussion, in this Form 10-Q, of any contract or agreement is a summary only and is qualified in all respects by reference to the full text of the applicable contract or agreement.

Deconsolidation of OncoCyte Corporation Effective February 17, 2017

Effective February 17, 2017 BioTime deconsolidated OncoCyte Corporation ("OncoCyte") financial statements and results of operations from those of BioTime under applicable generally accepted accounting principles due to the decrease in BioTime's percentage ownership in OncoCyte below 50% as a result of OncoCyte issuing 625,000 shares of its common stock pursuant to warrant exercises by certain OncoCyte shareholders. Prior to that date, OncoCyte was a majority-owned and consolidated subsidiary of BioTime. Since February 17, 2017, BioTime has accounted for OncoCyte using the equity method of accounting, electing the fair value option, with all subsequent changes in fair value included in BioTime's unaudited condensed consolidated statements of operations in other income and expenses, net. As of, and for each reporting period after February 17, 2017, the fair value of BioTime's interest in OncoCyte is determined by the number of shares of OncoCyte held by BioTime and the closing price of the OncoCyte common stock as quoted on NYSE American: OCX.

OncoCyte's assets and liabilities are not included in BioTime's condensed consolidated balance sheets at June 30, 2018 and December 31, 2017 due to the deconsolidation. The fair value of OncoCyte shares owned by BioTime is shown on BioTime's condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017.

OncoCyte's results are not included in BioTime's unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2018. BioTime's unaudited condensed consolidated statements of operations for

the six months ended June 30, 2017 include OncoCyte's results for the period from January 1, 2017 through February 16, 2017, the day immediately preceding the deconsolidation.

For further discussion, see Notes to the Condensed Consolidated Interim Financial Statements and *Management's Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this Report.

The deconsolidation of OncoCyte is sometimes referred to as the "OncoCyte Deconsolidation" in this Report.

Item 1. Financial Statements

BIOTIME, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	June 30, 2018 (Unaudited)	December 31, 2017 (Note 2)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 27,207	$36,838
Marketable equity securities	1,948	1,337
Trade accounts and grants receivable, net	1,693	780
Receivables from affiliates, net (Note 9)	2,076	2,266
Prepaid expenses and other current assets	1,571	1,402
Total current assets	34,495	42,623
Property, plant and equipment, net	5,014	5,533
Deposits and other long-term assets	229	1,018
Equity method investment in OncoCyte, at fair value (Note 4)	37,419	68,235
Equity method investment in Asterias, at fair value (Note 5)	29,359	48,932
Intangible assets, net	5,735	6,900
TOTAL ASSETS	$ 112,251	$173,241
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 5,028	$5,718
Capital lease and lease liabilities, current portion	225	212
Promissory notes, current portion	120	152
Deferred license and subscription revenues	367	488
Deferred grant revenues	103	309
Total current liabilities	5,843	6,879
LONG-TERM LIABILITIES		
Deferred rent liabilities, net of current portion	189	105
Lease liability, net of current portion	915	1,019
Capital lease, net of current portion	116	132
Promissory notes, net of current portion	-	18
Liability classified warrants and other long-term liabilities	437	825
TOTAL LIABILITIES	7,500	8,978

Commitments and contingencies (Notes 13 and 14)		
SHAREHOLDERS' EQUITY		
Preferred shares, no par value, authorized 2,000 shares; none issued and outstanding as of June 30, 2018 and December 31, 2017	-	-
Common shares, no par value, 250,000 shares authorized; 126,873 shares issued and outstanding as of June 30, 2018 and 126,866 shares issued and outstanding as of December 31, 2017	383,529	378,487
Accumulated other comprehensive income	1,082	451
Accumulated deficit	(283,630)	(216,297)
BioTime, Inc. shareholders' equity	100,981	162,641
Noncontrolling interest	3,770	1,622
Total shareholders' equity	104,751	164,263
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 112,251	$ 173,241

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUES:				
Grant revenue	$1,941	$-	$2,266	$11
Royalties from product sales and license fees	91	81	227	191
Subscription and advertisement revenues	333	300	572	564
Sale of research products and services	182	-	182	5
Total revenues	2,547	381	3,247	771
Cost of sales	(106)	(5)	(215)	(62)
Gross profit	2,441	376	3,032	709
OPERATING EXPENSES:				
Research and development	(6,358)	(6,271)	(12,293)	(12,765)
Acquired in-process research and development (Note 9)	-	-	(800)	-
General and administrative	(5,227)	(4,423)	(11,163)	(9,524)
Total operating expenses	(11,585)	(10,694)	(24,256)	(22,289)
Gain on sale of assets	-	1,754	-	1,754
Loss from operations	(9,144)	(8,564)	(21,224)	(19,826)
OTHER INCOME/(EXPENSES):				
Interest income (expense), net	52	(413)	105	(719)
Gain on sale of equity method investment in Ascendance	-	-	3,215	-
Gain on deconsolidation of OncoCyte	-	-	-	71,697
Gain (loss) on equity method investment in OncoCyte at fair value	6,603	(11,006)	(30,816)	5,136
Gain (loss) on equity method investment in Asterias at fair value	(2,175)	3,262	(19,573)	(22,835)
Unrealized gain on marketable equity securities	397	-	612	-
Other income (expense), net	(379)	617	(663)	1,344
Total other income (expense), net	4,498	(7,540)	(47,120)	54,623
INCOME (LOSS) BEFORE INCOME TAXES	(4,646)	(16,104)	(68,344)	34,797
Deferred income tax benefit	-	3,877	-	-
NET INCOME (LOSS)	(4,646)	(12,227)	(68,344)	34,797
Net loss attributable to noncontrolling interest	431	576	581	2,840

NET INCOME (LOSS) ATTRIBUTABLE TO BIOTIME, INC.	$(4,215)	$(11,651)	$(67,763)	$37,637
NET INCOME (LOSS) PER COMMON SHARE:				
BASIC	$(0.03)	$(0.11)	$(0.53)	$0.35
DILUTED	$(0.03)	$(0.11)	$(0.53)	$0.34
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING:				
BASIC	126,873	110,874	126,871	108,804
DILUTED	126,873	110,874	126,871	109,296

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
NET INCOME (LOSS)	$(4,646)	$(12,227)	$(68,344)	$34,797
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax	884	(440)	959	405
Available-for-sale investments:				
Unrealized gain on available-for-sale securities, net of taxes	-	304	-	603
COMPREHENSIVE INCOME (LOSS)	(3,762)	(12,363)	(67,385)	35,805
Less: Comprehensive loss attributable to noncontrolling interest	431	576	581	2,840
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO BIOTIME, INC. COMMON SHAREHOLDERS	$(3,331)	$(11,787)	$(66,804)	$38,645

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) attributable to BioTime, Inc.	$(67,763)	$37,637
Net loss allocable to noncontrolling interest	(581)	(2,840)
Adjustments to reconcile net income (loss) attributable to BioTime, Inc. to net cash used in operating activities:		
Gain on deconsolidation of OncoCyte	-	(71,697)
Gain on sale of equity method investment in Ascendance	(3,215)	-
Acquired in-process research and development	800	-
Unrealized (gain) loss on equity method investment in OncoCyte at fair value	30,816	(5,136)
Unrealized loss on equity method investment in Asterias at fair value	19,573	22,835
Unrealized gain on marketable equity securities	(612)	-
Depreciation expense, including amortization of leasehold improvements	560	421
Amortization of intangible assets	1,164	1,184
Stock-based compensation	2,087	1,930
Change in fair value of warrant liability	(351)	-
Amortization of discount on related party convertible debt	-	640
Foreign currency remeasurement and other (gain) loss	1,137	(1,814)
Gain on sale of assets	-	(1,754)
Changes in operating assets and liabilities:		
Accounts and grants receivable, net	(868)	299
Receivables from affiliates, net of payables	180	332
Prepaid expenses and other current assets	(259)	105
Accounts payable and accrued liabilities	(336)	841
Other liabilities	(70)	(144)
Net cash used in operating activities	(17,738)	(17,161)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deconsolidation of cash and cash equivalents of OncoCyte	-	(8,898)
Proceeds from the sale of equity method investment in Ascendance	3,215	-
Purchase of in-process research and development	(800)	-
Purchase of equipment and other assets	(237)	(474)
Security deposit and other	(8)	(12)
Net cash provided by (used in) investing activities	2,170	(9,384)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	-	20,125
Fees paid on sale of common shares	-	(1,669)
Proceeds deposited in escrow account	-	5,100
Proceeds from exercises of stock options	-	29
Common shares received and retired for employee taxes paid	(13)	(31)
Proceeds from sale of common shares of subsidiary	5,000	-
Proceeds from sale of subsidiary warrants	737	-
Repayment of lease liability and capital lease obligation	(151)	(31)
Reimbursement from landlord on construction in progress	-	198
Proceeds from issuance of related party convertible debt	-	299
Payment to repurchase subsidiary shares	(38)	-
Net cash provided by financing activities	5,535	24,020
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(21)	87
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(10,054)	(2,438)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
At beginning of the period	37,685	22,935
At end of the period	$27,631	$20,497

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

1. Organization and Business Overview

General – BioTime, Inc. ("BioTime" or the "Company") is a clinical-stage, biotechnology company targeting degenerative diseases. BioTime's programs are based on two proprietary core technology platforms: cell replacement and cell/drug delivery. With the cell replacement platform, BioTime is producing new cells and tissues with its pluripotent and progenitor cell technologies. These cells and tissues are developed to replace those that are either rendered dysfunctional or lost due to degenerative diseases or injuries. BioTime's cell/drug delivery programs are based upon its proprietary HyStem® cell and drug delivery matrix technology. HyStem® was designed to provide for the transfer, retention, and/or engraftment of cell replacement therapies and to act as a device for localized drug delivery.

BioTime's lead cell replacement clinical product is OpRegen®, a retinal pigmented epithelium (RPE) cell replacement therapy, which is in a Phase I/IIa multicenter trial for the treatment of late-stage, dry age-related macular degeneration (dry-AMD). There are currently no FDA-approved therapies for dry-AMD, which accounts for approximately 90% of all age-related macular degeneration cases, and is the leading cause of blindness in people over the age of 60.

BioTime's lead cell delivery clinical product, based on its proprietary HyStem® technology, is Renevia®, a potential treatment for facial lipoatrophy. "Lipoatrophy" means the loss of fat tissue, which can be caused by several factors, including trauma, aging, or drug side effects, such as those that cause HIV-associated lipoatrophy. BioTime is also developing HyStem® for the sustained delivery of therapeutic drugs and targeted cells to specific areas of the body.

In 2017, BioTime formed AgeX Therapeutics, Inc. ("AgeX") to continue development of initial discovery and preclinical programs with a focus on utilizing brown adipose tissue ("brown fat") in targeting diabetes, obesity, and heart disease; and induced tissue regeneration ("iTR") in utilizing the human body's own abilities to scarlessly regenerate tissues damaged from age or trauma. AgeX may also pursue other early-stage preclinical programs.

On August 17, 2017, AgeX completed an asset acquisition and stock sale pursuant to which it received certain assets from BioTime for use in its research and development programs and raised $10.0 million in cash from investors to finance its operations. This capitalization of AgeX has allowed BioTime to focus its resources on its clinical programs in its core therapeutic sectors. As of June 30, 2018, BioTime owned approximately 80.6% of the issued and

outstanding shares of AgeX common stock (see Notes 10 and 14).

BioTime is also enabling early-stage programs in other new technologies through its own research programs as well as through other subsidiaries or affiliates.

BioTime also has significant equity holdings in two publicly traded companies, Asterias Biotherapeutics, Inc. ("Asterias") and OncoCyte Corporation ("OncoCyte"), which BioTime founded and, until recently, were majority-owned and consolidated subsidiaries. Asterias (NYSE American: AST) is presently focused on advancing three clinical-stage programs that have the potential to address areas of very high unmet medical needs in the fields of neurology (spinal cord injury) and oncology (Acute Myeloid Leukemia and lung cancer). OncoCyte (NYSE American: OCX) is developing confirmatory diagnostic tests for lung cancer, breast cancer, and bladder cancer utilizing novel liquid biopsy technology.

Beginning on February 17, 2017, BioTime deconsolidated OncoCyte's financial statements and results of operations from BioTime (the "OncoCyte Deconsolidation") (see Notes 3 and 4).

Beginning on May 13, 2016, BioTime deconsolidated Asterias' financial statements and results of operations from BioTime (the "Asterias Deconsolidation") (see Note 5).

2. Basis of Presentation, Liquidity and Summary of Significant Accounting Policies

The unaudited condensed consolidated interim financial statements presented herein, and discussed below, have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Commission ("SEC"). In accordance with those rules and regulations certain information and footnote disclosures normally included in comprehensive consolidated financial statements have been condensed or omitted. The condensed consolidated balance sheet as of December 31, 2017 was derived from the audited consolidated financial statements at that date, but does not include all the information and footnotes required by GAAP. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in BioTime's Annual Report on Form 10-K, as amended, for the year ended December 31, 2017, the audited annual consolidated financial statements of AgeX for the year ended December 31, 2017 and the AgeX unaudited condensed consolidated interim financial statements as of, and for the three months ended March 31, 2018 included in Amendment No. 1 to AgeX's Registration Statement on Form 10 filed on July 19, 2018 with the SEC (see Note 14).

The accompanying condensed consolidated interim financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of BioTime's financial condition and results of operations. The condensed consolidated results of operations are not necessarily indicative of the results to be expected for any other interim period or for the entire year.

Principles of consolidation – BioTime's condensed consolidated interim financial statements present the operating results of all of its wholly-owned and majority-owned subsidiaries that it consolidates as required under GAAP. All material intercompany accounts and transactions have been eliminated in consolidation. BioTime consolidated Cell Cure Neurosciences, Ltd ("Cell Cure"), OrthoCyte Corporation ("OrthoCyte"), ES Cell International, Pte Ltd ("ESI"), BioTime Asia, Limited ("BioTime Asia"), AgeX Therapeutics, Inc. ("AgeX"), ReCyte Therapeutics, Inc. ("ReCyte"), LifeMap Sciences, Inc. ("LifeMap Sciences") and LifeMap Sciences, Ltd., as BioTime has the ability to control their operating and financial decisions and policies through its stock ownership or representation on the board of directors, and the noncontrolling interest is reflected as a separate element of shareholders' equity on BioTime's condensed consolidated balance sheets.

See Note 14 regarding the filing of Amendment No. 1 to AgeX's registration on Form 10 with the SEC in connection with BioTime's planned distribution of shares of AgeX common stock owned by BioTime to holders of BioTime common shares, on a pro rata basis.

Beginning on February 17, 2017 and May 13, 2016, respectively, OncoCyte and Asterias financial statements and results are no longer a part of BioTime's condensed consolidated interim financial statements and results. The market value of OncoCyte and Asterias common stock, as of those respective dates, held by BioTime is now reflected on BioTime's condensed consolidated balance sheet and the subsequent changes in the market value of those shares is reflected in BioTime's condensed consolidated balance sheet and condensed consolidated statements of operations, allowing BioTime shareholders to evaluate the value of the respective OncoCyte and Asterias' portion of BioTime's business.

OncoCyte's results are not included in BioTime's condensed consolidated statements of operations for the three and six months ended June 30, 2018, and the three months ended June 30, 2017. BioTime's condensed consolidated statements of operations for the six months ended June 30, 2017 include OncoCyte's results for the period from January 1, 2017 through February 16, 2017, the day immediately preceding the OncoCyte Deconsolidation.

Liquidity – Since inception, BioTime has incurred significant operating losses and has funded its operations primarily through the issuance of equity securities, payments from research grants, royalties from product sales and sales of research products and services. At June 30, 2018, BioTime had an accumulated deficit of $283.6 million, working capital of $28.7 million and shareholders' equity of $104.8 million. BioTime has evaluated its projected cash flows and believes that its cash, cash equivalents and marketable equity securities of $29.2 million at June 30, 2018 provide

sufficient cash, cash equivalents and liquidity to carry out BioTime's current operations through at least twelve months from the issuance date of the condensed consolidated interim financial statements included in this Report. BioTime also holds shares of Asterias and OncoCyte common stock with a combined market value of $66.8 million at June 30, 2018. Although BioTime has no present plans to liquidate its holdings of Asterias or OncoCyte shares, if BioTime needs near term working capital or liquidity to supplement its cash and cash equivalents for its operations, BioTime may sell some, or all, of its Asterias or OncoCyte shares, as necessary.

BioTime's projected cash flows are subject to various risks and uncertainties, and the unavailability or inadequacy of financing to meet future capital needs could force it to modify, curtail, delay, or suspend some or all aspects of its planned operations. BioTime's determination as to when it will seek new financing and the amount of financing that it will need will be based on its evaluation of the progress it makes in its research and development programs, any changes to the scope and focus of those programs, and projection of future costs, revenues, and rates of expenditure. For example, clinical trials being conducted for its OpRegen® program will be funded in part with funds from grants and not from cash on hand. If BioTime were to lose grant funding or is unable to continue to provide working capital to the OpRegen® program, it may be required to delay, postpone, or cancel the clinical trials or limit the number of clinical trial sites, unless BioTime is able to obtain adequate financing from another source that could be used for the clinical trials. BioTime cannot assure that adequate future financing will be available on favorable terms, if at all, when needed. Sales of additional equity securities by BioTime or its subsidiaries could result in the dilution of the interests of present shareholders.

As discussed in Note 14, on July 19, 2018, AgeX filed Amendment No. 1 to its Registration Statement on Form 10 with the SEC in connection with BioTime's planned distribution of shares of AgeX common stock owned by BioTime to holders of BioTime common shares, on a pro rata basis (the "AgeX Distribution"). If the AgeX Distribution is completed, AgeX will become a public company and will incur costs associated with audits and interim reviews of its consolidated financial statements, filing annual, quarterly, and other periodic reports with the SEC, holding annual shareholder meetings, and public relations and investor relations. These costs incurred by AgeX will be in addition to those incurred by BioTime for similar purposes.

Furthermore, as discussed in Note 14, the planned AgeX Distribution will be a taxable event to BioTime. The amount of income tax obligation, if any, that BioTime may incur in connection with the AgeX Distribution is not estimable at this time since the tax obligation depends on numerous factors and contingencies including, but not limited to, the completion of the distribution, the amount and availability of U.S. net operating losses generated by BioTime to offset any taxable gain as a result of the AgeX Distribution, and the value of AgeX common stock on the distribution date.

Equity method accounting for Asterias and OncoCyte, at fair value – BioTime uses the equity method of accounting when it has the ability to exercise significant influence, but not control, as determined in accordance with GAAP, over the operating and financial policies of a company. For equity method assets which BioTime has elected to measure at fair value, unrealized gains and losses are reported in the condensed consolidated statements of operations in other income and expenses, net.

As further discussed in Notes 4 and 5, BioTime has elected to account for its OncoCyte and Asterias shares at fair value using the equity method of accounting because beginning on February 17, 2017 and May 13, 2016, the respective dates on which BioTime deconsolidated OncoCyte and Asterias, BioTime has not had control of OncoCyte and Asterias, as defined by GAAP, but continues to exercise significant influence over OncoCyte and Asterias. Under the fair value method, BioTime's value in shares of common stock it holds in OncoCyte and Asterias is marked to market at each balance sheet date using the closing prices of OncoCyte and Asterias common stock on the NYSE American multiplied by the number of shares of OncoCyte and Asterias held by BioTime, with changes in the fair value of the OncoCyte and Asterias shares included in other income and expenses, net, in the condensed consolidated statements of operations. The OncoCyte and Asterias shares are considered level 1 assets as defined by ASC 820, *Fair Value Measurements and Disclosures*.

Marketable equity securities in foreign investments – BioTime accounts for the shares it holds in foreign equity securities as marketable equity in accordance with ASC 320-10-25, Investments – Debt and Equity Securities, as amended by Accounting Standards Update ("ASU") 2016-01, Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, further discussed below, as the shares have a readily determinable fair value quoted on the Tel Aviv Stock Exchange ("TASE") (under trading symbol "HDST") where share prices are denominated in New Israeli Shekels (NIS). These securities are held principally to meet future working capital needs. The securities are measured at fair value and reported as current assets on the condensed consolidated balance sheets based on the closing trading price of the security as of the date being presented. Beginning on January 1, 2018, with the adoption of ASU 2016-01 discussed below, these securities are now called "marketable equity securities" and unrealized holding gains and losses on these securities, including changes in foreign currency exchange rates, are reported in the condensed consolidated statements of operations in other income and expenses, net. Prior to January 1, 2018 and the adoption of ASU 2016-01, these securities were called "available-for-sale securities" and unrealized holding gains and losses, including changes in foreign currency exchange rates, were reported in other comprehensive income or loss, net of tax, and were a component of the accumulated other comprehensive income or loss on the consolidated balance sheet. Realized gains and losses, and declines in value judged to be other-than-temporary related to marketable equity securities, are included in other income and expenses, net, in the condensed consolidated statements of operations.

On January 1, 2018, in accordance with the adoption of ASU 2016-01, BioTime recorded a cumulative-effect adjustment for these available-for-sale-securities to reclassify the unrealized gain of $328,000 included in consolidated accumulated other comprehensive income to the consolidated accumulated deficit balance. For the three and six months ended June 30, 2018, BioTime recorded an unrealized gain of $397,000 and $612,000, respectively, included in other income and expenses, net, due to the increase in fair market value of the marketable equity securities from December 31, 2017 to June 30, 2018.

Basic and diluted net income (loss) per share attributable to common shareholders – Basic earnings per share is calculated by dividing net income or loss attributable to BioTime common shareholders by the weighted average number of common shares outstanding, net of unvested restricted stock or restricted stock units, subject to repurchase by BioTime, if any, during the period. Diluted earnings per share is calculated by dividing the net income or loss attributable to BioTime common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of potentially dilutive common shares issuable under outstanding stock options and warrants, using the treasury-stock method, convertible preferred stock, if any, using the if-converted method, and treasury stock held by subsidiaries, if any.

For the three and six months ended June 30, 2018, there were no potentially dilutive common share equivalents due to the net loss reported for the periods presented. For the three months ended June 30, 2017, there were no potentially dilutive common share equivalents due to the net loss reported for this period presented. The primary components of weighted average shares of potentially dilutive common shares used to compute diluted net income per common share for the six months ended June 30, 2017 were 164,000 shares of treasury stock and 328,000 restricted stock units and outstanding stock options (see Note 11).

The following common share equivalents were excluded from the computation of diluted net income (loss) per common share for the periods presented because including them would have been antidilutive (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	(unaudited)		**(unaudited)**	
	2018	2017	2018	2017
Stock options	8,990	5,035	8,990	4,459
Warrants	8,795	9,395	8,795	9,395
Restricted stock units	535	-	535	-

Recently Adopted Accounting Pronouncements

Adoption of ASU 2016-18, *Statement of Cash Flows (Topic 230).* On January 1, 2018, BioTime adopted Financial Accounting Standards Board ("FASB") ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash, and that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the condensed consolidated statements of cash flows. The adoption of ASU 2016-18 did not have a material effect on BioTime's consolidated financial statements. However, prior period restricted cash balances included in prepaid expenses and other current assets, and in deposits and other long-term assets, on the consolidated balance sheets was added to the beginning-of-period and end-of-period total consolidated cash and cash equivalents in the condensed consolidated statements of cash flows to conform to the current presentation shown below.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheet dates that comprise the total of the same such amounts shown in the condensed consolidated statements of cash flows for all periods presented herein and effected by the adoption of ASU 2016-18 (in thousands):

	June 30, 2018	**December 31, 2017**	**June 30, 2017**	**December 31, 2016**
	(unaudited)		**(unaudited)**	
Cash and cash equivalents	$ 27,207	$ 36,838	$ 14,550	$ 22,088
Restricted cash equivalents in escrow	-	-	5,100	-

Restricted cash included in prepaid expenses and other current assets (see Note 13)	346	-	-	-
Restricted cash included in deposits and other long-term assets (see Note 13)	78	847	847	847
Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statements of cash flows	$ 27,631	$ 37,685	$ 20,497	$ 22,935

Adoption of ASU 2014-09, Revenues from Contracts with Customers (Topic 606). In May 2014, the FASB issued ASU 2014-09 (“Topic 606”) *Revenue from Contracts with Customers* which supersedes the revenue recognition requirements in Topic 605 *Revenue Recognition* (“Topic 605”). Topic 606 describes principles an entity must apply to measure and recognize revenue and the related cash flows, using the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Topic 606 core principle is that it requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

BioTime adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method applied to those contracts which were not completed as of the adoption date. Results for reporting periods beginning on January 1, 2018 and thereafter are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with BioTime’s historical revenue recognition accounting under Topic 605.

On January 1, 2018, the adoption and application of Topic 606 resulted in an immaterial cumulative effect adjustment to BioTime’s beginning consolidated accumulated deficit balance. In the applicable paragraphs below, BioTime has summarized its revenue recognition policies for its various revenue sources in accordance with Topic 606.

Revenue Recognition by Source and Geography. Revenues are recognized when control of the promised goods or services is transferred to customers, or in the case of governmental entities funding a grant, when allowable expenses are incurred, in an amount that reflects the consideration BioTime or a subsidiary, depending on which company has the customer or the grant, expects to be entitled to in exchange for those goods or services. See further discussion under *Grant Revenues* below.

The following table presents BioTime's unaudited consolidated revenues disaggregated by source (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (1)	2018	2017 (1)
REVENUES:				
Grant revenue	$1,941	$-	$2,266	$11
Royalties from product sales and license fees	91	81	227	191
Subscription and advertisement revenues	333	300	572	564
Sale of research products and services	182	-	182	5
Total revenues	$2,547	$381	$3,247	$771

(1) Amounts recognized prior to adoption of Topic 606 have not been adjusted under the Topic 606 modified retrospective transition method.

The following table presents unaudited consolidated revenues, disaggregated by geography, based on the billing addresses of customers, or in the case of grant revenues based on where the governmental entities that fund the grant are located. Amounts shown are in thousands. See further discussion under *Grant Revenues* below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (1)	2018	2017 (1)
REVENUES:				
United States	$631	$187	$1,137	$359
Foreign	1,916	194	2,110	412
Total revenues	$2,547	$381	$3,247	$771

(1) Amounts recognized prior to adoption of Topic 606 have not been adjusted under the Topic 606 modified retrospective transition method.

Research and development contracts with customers. In its agreements with customers, BioTime's performance obligations of research and development are completed as services are performed and control passes to the customer, and accordingly revenues are recognized over time. BioTime generally receives a fee at the inception of an agreement,

with variable fees, if any, tied to certain milestones, if achieved. BioTime estimates this variable consideration using a single most likely amount. Based on historical experience, there has been no variable consideration related to milestones included in the transaction price due to the significant uncertainty of achieving contract milestones and milestones not being met. If a milestone is met, subsequent changes in the single most likely amount may produce a different variable consideration, and BioTime will allocate any subsequent changes in the transaction price on the same basis as at contract inception. Amounts allocated to a satisfied performance obligation will be recognized as revenue in the period in which the transaction price changes with respect to variable consideration, which could result in a reduction of revenue. Contracts of this kind are typically for a term greater than one year. For each of the three months ended June 30, 2018 and 2017, BioTime recognized $77,000 for such services included in the consolidated royalties from product sales and license fees. The aggregate amount of the transaction price, excluding payments related to any milestones, allocated to performance obligations that are unsatisfied, or partially unsatisfied, as of June 30, 2018 was $154,000, included in deferred revenues in the consolidated balance sheets. BioTime expects to recognize revenue of $77,000 per quarter through the year ending December 31, 2018. As of June 30, 2018, BioTime had not met any milestones that would require adjustment of the transaction price.

Royalties from product sales and license fees. BioTime’s performance obligations in agreements with certain customers is to provide a license to allow customers to make, import and sell company licensed products or methods for pre-clinical studies and commercial use. Customers pay a combination of a license issue fee paid up front and a sales-based royalty, if any, in some cases with yearly minimums. The transaction price is deemed to be the license issue fee stated in the contract. The license offered by BioTime is a functional license with significant standalone functionality and provides customers with the right to use BioTime’s intellectual property. This allows BioTime to recognize revenue on the license issue fee at a point in time at the beginning of the contract, which is when the customer begins to have use of the license. Variable consideration related to sales-based royalties is recognized only when (or as) the later of the following events occurs: (a) a sale or usage occurs, or (b) the performance obligation to which some, or all, of the sales-based or usage-based royalty has been allocated has been satisfied or partially satisfied. Due to the contract termination clauses, BioTime does not expect to receive all of the minimum royalty payments throughout the term of the agreements. Therefore, BioTime fully constrains recognition of the minimum royalty payments as revenues until its customers are obligated to pay, which is generally within 60 days prior to beginning of each year the minimum royalty payments are due. For the three and six months ended June 30, 2018 and 2017, royalty revenues were immaterial.

Sale of research products and services. Revenues from the sale of research products and services shown in the table above are primarily derived from the sale of hydrogels and stem cell products for research use and are recognized when earned.

Subscription and advertisement revenues. LifeMap Sciences, a direct majority-owned subsidiary of AgeX, sells subscription-based products, including research databases and software tools, for biomedical, gene, disease, and stem cell research. LifeMap Sciences sells these subscriptions primarily through the internet to biotech and pharmaceutical companies worldwide. LifeMap Sciences' principal subscription product is the GeneCards® Suite, which includes the GeneCards® human gene database, and the MalaCards™ human disease database.

LifeMap Sciences' performance obligations for subscriptions include a license of intellectual property related to its genetic information packages and premium genetic information tools. These licenses are deemed functional licenses that provide customers with a "right to access" to LifeMap Sciences' intellectual property during the subscription period and, accordingly, revenue is recognized over a period of time, which is generally the subscription period. Payments are typically received at the beginning of a subscription period and revenue is recognized according to the type of subscription sold.

For subscription contracts in which the subscription term commences before a payment is due, LifeMap Sciences records an accounts receivable as the subscription is earned over time and bills the customer according to the contract terms. LifeMap Sciences continuously monitors collections and payments from customers and maintains a provision for estimated credit losses and uncollectible accounts based upon its historical experience and any specific customer collection issues that have been identified. Amounts determined to be uncollectible are written off against the allowance for doubtful accounts. LifeMap Sciences has not historically provided significant discounts, credits, concessions, or other incentives from the stated price in the contract as the prices are offered on a fixed fee basis for the type of subscription package being purchased. LifeMap Sciences may issue refunds only if the packages cease to be available for reasons beyond its control. In such an event, the customer will get a refund on a pro-rata basis. Using the most likely amount method for estimating refunds under Topic 606, including historical experience, LifeMap Sciences determined that the single most likely amount of variable consideration for refunds is immaterial as LifeMap Sciences does not expect to pay any refunds. Both the customer and LifeMap Sciences expect the subscription packages to be available during the entire subscription period, and LifeMap Sciences has not experienced any significant issues with the availability of the product and has not issued any material refunds.

LifeMap Sciences performance obligations for advertising are overall advertising services and represent a series of distinct services. Contracts are typically less than a year in duration and the fees charged may include a combination of fixed and variable fees with the variable fees tied to click throughs to the customer's products on their website. LifeMap Sciences allocates the variable consideration to each month the click through services occur and allocates the annual fee to the performance obligation period of the initial term of the contract because those amounts correspond to the value provided to the customer each month. For click-through advertising services, at the time the variable compensation is known and determinable, the service has been rendered. Revenue is recognized at that time. The

annual fee is recognized over the initial subscription period because this is a service and the customer simultaneously receives and consumes the benefit of LifeMap Sciences' performance.

LifeMap Sciences deferred subscription revenues primarily represent subscriptions for which cash payment has been received for the subscription term, but the subscription term has not been completed as of the balance sheet date reported. For the three months ended June 30, 2018 and 2017, LifeMap Sciences recognized $333,000 and $300,000 in subscription and advertisement revenues. For the six months ended June 30, 2018 and 2017, LifeMap Sciences recognized $572,000 and $564,000 in subscription and advertisement revenues. As of June 30, 2018, there was $214,000 included in deferred revenues in the condensed consolidated balance sheets which is expected to be recognized as subscription revenue over the next twelve months.

LifeMap Sciences has licensed from a third party the databases it commercializes and has a contractual obligation to pay royalties to the licensor on subscriptions sold. These costs are included in cost of sales on the condensed consolidated statements of operations when the cash is received and the royalty obligation is incurred as the royalty payments do not qualify for capitalization of costs to fulfill a contract under ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers*.

Grant Revenues. In applying the provisions of Topic 606, BioTime has determined that government grants are out of the scope of Topic 606 because the government entities do not meet the definition of a "customer", as defined by Topic 606, as there is not considered to be a transfer of control of good or services to the government entities funding the grant. BioTime has, and will continue to, account for grants received to perform research and development services in accordance with ASC 730-20, *Research and Development Arrangements*, which requires an assessment, at the inception of the grant, of whether the grant is a liability or a contract to perform research and development services for others. If BioTime or a subsidiary receiving the grant is obligated to repay the grant funds to the grantor regardless of the outcome of the research and development activities, then BioTime is required to estimate and recognize that liability. Alternatively, if BioTime or a subsidiary receiving the grant is not required to repay, or if it is required to repay the grant funds only if the research and development activities are successful, then the grant agreement is accounted for as a contract to perform research and development services for others, in which case, grant revenue is recognized when the related research and development expenses are incurred (see Note 13).

Deferred grant revenues represent grant funds received from the governmental funding agencies for which the allowable expenses have not yet been incurred as of the balance sheet date reported. As of June 30, 2018 deferred grant revenue was $103,000 and is expected to be recognized as revenue over the next twelve months.

Arrangements with Multiple Performance Obligations. BioTime's contracts with customers may include multiple performance obligations. For such arrangements, BioTime allocates revenue to each performance obligation based on its relative standalone selling price. BioTime generally determines or estimates standalone selling prices based on the prices charged, or that would be charged, to customers for that product or service. As of, and for the six months ended, June 30, 2018, BioTime did not have significant arrangements with multiple performance obligations.

Adoption of ASU 2016-01, Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. Changes to the current GAAP model under ASU 2016-01 primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, ASU 2016-01 clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The more significant amendments are to equity investments in unconsolidated entities. In accordance with ASU No. 2016-01, all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification (changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values. As further discussed above under the *marketable equity securities in foreign investments* policy, BioTime adopted ASU 2016-01 on January 1, 2018.

Reclassification – Gain on sale of assets of $1.8 million generated during the three and six months ended June 30, 2017 and reported in other income and expenses, net, on the consolidated statements of operations has been reclassified to be included in loss from operations in the consolidated statements of operations for the same periods shown to properly reflect the nature of the gain. This reclassification had no impact on the net income or loss, no impact on consolidated cash flows and consolidated balance sheets for any period presented.

Recently Issued Accounting Pronouncements Not Yet Adopted – The recently issued accounting pronouncements applicable to BioTime that are not yet effective should be read in conjunction with the recently issued accounting pronouncements, as applicable and disclosed in BioTime's Annual Report on Form 10-K, as amended, for the year ended December 31, 2017.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which requires lessees to recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income

statement. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption is permitted. BioTime is evaluating the impact the adoption of ASU 2016-02 will have on its consolidated financial statements. BioTime expects that most of its operating lease commitments will be subject to the new standard and recognized as right-of-use assets and operating lease liabilities upon the adoption of ASU 2016-02, which will increase the total consolidated assets and total consolidated liabilities that it reports.

3. Deconsolidation of OncoCyte

On February 17, 2017, OncoCyte issued 625,000 shares of OncoCyte common stock to certain investors who exercised OncoCyte stock purchase warrants. As a result of this exercise and the issuance of the shares of OncoCyte common stock, beginning on February 17, 2017, BioTime owned less than 50% of the OncoCyte outstanding common stock and experienced a loss of control of the OncoCyte subsidiary. Under GAAP, loss of control of a subsidiary is deemed to have occurred when, among other things, a parent company owns less than a majority of the outstanding common stock of the subsidiary, lacks a controlling financial interest in the subsidiary, and is unable to unilaterally control the subsidiary through other means such as having the ability or being able to obtain the ability to elect a majority of the subsidiary's Board of Directors. BioTime determined that all of these loss of control factors were present with respect to OncoCyte on February 17, 2017. Accordingly, BioTime has deconsolidated OncoCyte's financial statements and results of operations from BioTime, effective February 17, 2017, in accordance with ASC, 810-10-40-4(c), *Consolidation*, referred to as the "OncoCyte Deconsolidation."

Beginning on February 17, 2017, BioTime is accounting for its retained noncontrolling investment in OncoCyte under the equity method of accounting and has elected the fair value option under ASC 825-10, *Financial Instruments* (see Note 4). In connection with the OncoCyte Deconsolidation and in accordance with ASC 810-10-40-5, BioTime recorded a gain on deconsolidation of $71.7 million during the six months ended June 30, 2017, included in other income and expenses, net, in the condensed consolidated statements of operations.

4. Equity Method Accounting for Common Stock of OncoCyte, at Fair Value

BioTime elected to account for its 14.7 million shares of OncoCyte common stock at fair value using the equity method of accounting beginning on February 17, 2017, the date of the OncoCyte Deconsolidation. The OncoCyte shares had a fair value of $37.4 million as of June 30, 2018 and a fair value of $68.2 million as of December 31, 2017, based on the closing price of OncoCyte common stock on the NYSE American of $2.55 per share and $4.65 per share on those respective dates.

For the three months ended June 30, 2018, BioTime recorded an unrealized gain of $6.6 million due to the increase in OncoCyte's stock price from March 31, 2018 to June 30, 2018, from $2.10 per share to $2.55 per share. For the six months ended June 30, 2018, BioTime recorded an unrealized loss of $30.8 million on the OncoCyte shares due to the decrease in OncoCyte's stock price from December 31, 2017 to June 30, 2018 noted above. All share prices were determined based on the closing price of OncoCyte common stock on the NYSE American on the applicable dates.

For the three months ended June 30, 2017, BioTime recorded an unrealized loss of $11.0 million due to the decrease in OncoCyte's stock price from March 31, 2017 to June 30, 2017 from $5.95 per share to $5.20 per share. For the six months ended June 30, 2017, BioTime recorded an unrealized gain of $5.1 million on the OncoCyte shares due to the increase in OncoCyte's stock price from February 17, 2017 to June 30, 2017 from $4.85 per share to $5.20 per share. All share prices were determined based the closing price of Asterias common stock on the NYSE American on the applicable dates.

OncoCyte's unaudited condensed results of operations for the three and six months ended June 30, 2018 and 2017 are summarized below (in thousands):

	Three Months Ended June 30,	**Six Months Ended June 30,**	**January 1, 2017 to**
	(unaudited)	**(unaudited)**	**February 16, 2017**

	2018	2017	2018	2017	**(unaudited)**
Condensed Statements of Operations [1]:					
Research and development expense	$1,697	$1,997	$3,158	$3,831	$ 798
General and administrative expense	1,335	1,115	3,122	3,158	377
Sales and marketing expense	569	477	1,227	1,132	213
Loss from operations	(3,601)	(3,589)	(7,507)	(8,121)	(1,388)
Net loss	$(3,880)	$(3,804)	$(7,658)	$(8,509)	$ (1,392)

(1) The condensed unaudited statements of operations information included in the table above for the period January 1, 2017 through February 16, 2017 reflects OncoCyte results of operations included in BioTime's consolidated statement of operations for the six months ended June 30, 2017, after intercompany eliminations. The information for OncoCyte shown for three and six months ended June 30, 2018 is not included in BioTime's condensed consolidated statement of operations for those periods.

5. Equity Method Accounting for Common Stock of Asterias, at Fair Value

BioTime elected to account for its 21.7 million shares of Asterias common stock at fair value using the equity method of accounting beginning on May 13, 2016, the date of the Asterias Deconsolidation. The Asterias shares had a fair value of $29.4 million as of June 30, 2018 and a fair value of $48.9 million as of December 31, 2017, based on the closing prices of Asterias common stock on the NYSE American of $1.35 per share and $2.25 per share on those respective dates.

For the three months ended June 30, 2018, BioTime recorded an unrealized loss of $2.2 million on the Asterias shares due to the decrease in Asterias' stock price from March 31, 2018 to June 30, 2018 from $1.45 per share to $1.35 per share. For the six months ended June 30, 2018, BioTime recorded an unrealized loss of $19.6 million on the Asterias shares due to the decrease in Asterias' stock price from December 31, 2017 to June 30, 2018 noted above. All share prices were determined based on the closing price of Asterias common stock on the NYSE American on the applicable dates.

For the three months ended June 30, 2017, BioTime recorded an unrealized gain of $3.3 million on the Asterias shares due to the increase in Asterias' stock price from March 31, 2017 to June 30, 2017 from $3.40 per share to $3.55 per share. For the six months ended June 30, 2017, BioTime recorded an unrealized loss of $22.8 million on the Asterias shares due to the decrease in Asterias' stock price from December 31, 2016 to June 30, 2017 from $4.60 per share to $3.55 per share. All share prices were determined based on the closing price of Asterias common stock on the NYSE American on the applicable dates.

Asterias' unaudited condensed results of operations for the three and six months ended June 30, 2018 and 2017 are summarized below (in thousands):

	Three Months Ended June 30, (unaudited)		**Six Months Ended June 30, (unaudited)**	
	2018	2017	2018	2017
Condensed Statements of Operations [1]:				
Total revenue	$109	$316	$587	$2,326
Gross profit	52	298	467	2,256
Loss from operations	(5,552)	(8,533)	(10,675)	(17,640)
Net loss	$(6,982)	$(8,728)	$(9,294)	$(15,015)

(1) The condensed unaudited statements of operations information included in the table above reflect Asterias' results of operations and were not included in BioTime's condensed consolidated statements of operations.

6. Property, Plant and Equipment, Net

At June 30, 2018 and December 31, 2017, property, plant and equipment was comprised of the following (in thousands):

	June 30, 2018	**December 31, 2017**
	(unaudited)	
Equipment, furniture and fixtures	$ 3,949	$ 4,255
Leasehold improvements	3,982	4,434
Accumulated depreciation and amortization	(2,917)	(3,156)
Property, plant and equipment, net	$ 5,014	$ 5,533

Depreciation expense, including amortization of leasehold improvements, amounted to $279,000 and $205,000 for the three months ended June 30, 2018 and 2017, and $560,000 and $421,000 for the six months ended June 30, 2018 and 2017, respectively. During the six months ended June 30, 2018, BioTime wrote off $0.7 million in fully depreciated property and equipment with a corresponding adjustment to accumulated depreciation and amortization.

7. Intangible Assets, Net

At June 30, 2018 and December 31, 2017, intangible assets, primarily consisting of acquired patents, and accumulated amortization were as follows (in thousands):

	June 30, 2018	December 31, 2017
	(unaudited)	
Intangible assets	$ 23,294	$ 23,294
Accumulated amortization	(17,559)	(16,394)
Intangible assets, net	$ 5,735	$ 6,900

BioTime recognized in research and development expenses $0.6 million of amortization expense in each of the three months ended June 30, 2018 and 2017, and $1.2 million of amortization expense during the six months ended June 30, 2018 and 2017, respectively.

8. Accounts Payable and Accrued Liabilities

At June 30, 2018 and December 31, 2017, accounts payable and accrued liabilities consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
	(unaudited)	
Accounts payable	$ 1,181	$ 938
Accrued liabilities	1,918	2,368
Accrued compensation	1,827	2,275
Other current liabilities	102	137
Total	$ 5,028	$ 5,718

9. Related Party Transactions

Shared Facilities and Service Agreements with Affiliates

The receivables from affiliates shown on the condensed consolidated balance sheet as of June 30, 2018 and December 31, 2017, primarily represent amounts owed to BioTime from OncoCyte and other affiliates under certain Shared Facilities and Service Agreements (each a “Shared Facilities Agreement”). Under the terms of a Shared Facilities Agreement, BioTime allows OncoCyte to use BioTime’s premises and equipment located at Alameda, California for the sole purpose of conducting business. BioTime also provides accounting, billing, bookkeeping, payroll, treasury, payment of accounts payable, and other similar administrative services to OncoCyte. BioTime may also provide the services of attorneys, accountants, and other professionals who may provide professional services to BioTime and its other subsidiaries. BioTime also has provided OncoCyte with the services of laboratory and research personnel, including BioTime employees and contractors, for the performance of research and development work for OncoCyte at the premises.

BioTime charges OncoCyte a “Use Fee” for services provided and usage of BioTime facilities, equipment, and supplies. For each billing period, BioTime prorates and allocates to OncoCyte costs incurred, including costs for services of BioTime employees and use of equipment, insurance, leased space, professional services, software licenses, supplies and utilities. The allocation of costs depends on key cost drivers, including actual documented use, square footage of facilities used, time spent, costs incurred by BioTime for OncoCyte, or upon proportionate usage by BioTime and OncoCyte, as reasonably estimated by BioTime. BioTime, at its discretion, has the right to charge OncoCyte a 5%

markup on such allocated costs. The allocated cost of BioTime employees and contractors who provide services is based upon records of the number of hours of such personnel devoted to the performance of services.

The Use Fee is determined and invoiced to OncoCyte on a calendar quarterly basis. If the Shared Facilities Agreement terminates prior to the last day of a billing period, the Use Fee will be determined for the number of days in the billing period elapsed prior to the termination of the Shared Facilities Agreement. Each invoice will be payable in full by OncoCyte within 30 days after receipt. Any invoice, or portion thereof, not paid in full when due will bear interest at the rate of 15% per annum until paid, unless the failure to make a payment is due to any inaction or delay in making a payment by BioTime employees from OncoCyte funds available for such purpose, rather than from the unavailability of sufficient funds legally available for payment or from an act, omission, or delay by any employee or agent of OncoCyte. Through June 30, 2018, BioTime has not charged OncoCyte any interest.

In addition to the Use Fees, OncoCyte will reimburse BioTime for any out of pocket costs incurred by BioTime for the purchase of office supplies, laboratory supplies, and other goods and materials and services for the account or use of OncoCyte, provided that invoices documenting such costs are delivered to OncoCyte with each invoice for the Use Fee. BioTime will have no obligation to purchase or acquire any office supplies or other goods and materials or any services for OncoCyte, and if any such supplies, goods, materials or services are obtained for OncoCyte, BioTime may arrange for the suppliers to invoice OncoCyte directly.

The Shared Facilities Agreement will remain in effect, unless either party gives the other party written notice stating that the Shared Facilities Agreement will terminate on December 31 of that year, or unless the agreement is otherwise terminated under another provision of the agreement.

In the aggregate, BioTime charged such Use Fees to OncoCyte as follows (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	(unaudited)		**(unaudited)**	
	2018	2017	2018	2017
Research and development	$217	$312	$437	$629
General and administrative	175	78	346	157
Total use fees	$392	$390	$783	$786

The Use Fees charged to OncoCyte shown above are not reflected in revenues, but instead BioTime's general and administrative expenses and research and development expenses are shown net of those charges in the condensed consolidated statement of operations. As of June 30, 2018 and December 31, 2017, BioTime has a $2.1 million receivable from OncoCyte included in receivable from affiliates, net, on account of Use Fees incurred by OncoCyte under the Shared Facilities Agreement. Since these amounts are due and payable within 30 days of being invoiced, the receivable is classified as a current asset.

BioTime has a similar Shared Facilities Agreement with Asterias under which BioTime and Asterias each may provide use of their respective facilities, utilities, and personnel to the other party on terms similar to the terms of the Shared Facilities Agreement between BioTime and OncoCyte. As of June 30, 2018 and December 31, 2017, there was a net payable to Asterias of $23,000 and $33,000, respectively.

BioTime accounts for receivables from affiliates, net of payables to affiliates, if any, for similar shared services and other transactions BioTime's consolidated subsidiaries may enter into with nonconsolidated affiliates. BioTime and the affiliates record those receivables and payables on a net basis since BioTime and the affiliates intend to exercise a right of offset of the receivable and the payable and to settle the balances net by having the party that owes the other party pay the net balance owed.

Transactions with Ascendance Biotechnology, Inc.

On March 21, 2018, AgeX and Ascendance Biotechnology, Inc. (“Ascendance”), an equity method investee of AgeX and former equity method investee of BioTime, entered into an Asset Purchase Agreement (the “Asset Agreement”) in which AgeX purchased for $800,000 in cash certain assets consisting in value primarily of in-process research and development assets related to stem cell derived cardiomyocytes (heart muscle cells) to be developed by AgeX. The transaction was considered an asset acquisition rather than a business combination in accordance with ASC 805-50, *Business Combinations*. Accordingly, the $800,000 purchase price was expensed on the acquisition date as acquired in-process research and development as those assets have no alternative future use. Also, on March 21, 2018, BioTime received $0.2 million from Ascendance as settlement of its accounts receivable from Ascendance.

Disposition of Ownership Interest in Ascendance

On March 23, 2018, Ascendance was acquired by a third party in a merger through which AgeX received approximately $3.2 million in cash for its shares of Ascendance common stock. AgeX recognized a $3.2 million gain as a sale of its equity method investment in Ascendance, which is included in other income and expenses, net, for the six months ended June 30, 2018. At the close of the merger, $955,000 of cash that otherwise would have been payable to the Ascendance stockholders was deposited into an escrow account where it may be held for a term of up to fifteen months. Funds held in the escrow account may be paid to the acquirer to cover indemnity payments and other obligations that may arise after the merger. After the expiration of the term of the escrow, any funds remaining in the escrow account will be disbursed, on a pro-rata basis, to the former Ascendance stockholders. As of June 30, 2018, no amounts have been recorded in the BioTime condensed consolidated interim financial statements for any funds held in the escrow account.

Other related party transaction

In February 2018, Alfred D. Kingsley, the Chairman of BioTime’s Board of Directors, purchased AgeX stock purchase warrants entitling him to purchase 248,600 shares of AgeX common stock at an exercise price of $2.50 per share. AgeX received $124,300, or $0.50 per warrant, from Mr. Kingsley. See Note 10.

BioTime currently pays $5,050 per month for the use of approximately 900 square feet of office space in New York City, which is made available to BioTime on a month-by-month basis by one of its directors at an amount that approximates his cost.

10. Shareholders' Equity

Preferred Shares

BioTime is authorized to issue 2,000,000 preferred shares. The preferred shares may be issued in one or more series as the board of directors may determine by resolution. The board of directors is authorized to fix the number of shares of any series of preferred shares and to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed on the preferred shares as a class, or upon any wholly unissued series of any preferred shares. The board of directors may, by resolution, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of preferred shares subsequent to the issue of shares of that series. There are no preferred shares issued and outstanding.

Common Shares

At June 30, 2018, BioTime was authorized to issue 250,000,000 common shares, no par value. As of June 30, 2018, and December 31, 2017, BioTime had 126,873,228 and 126,865,634 issued and outstanding common shares, respectively.

On April 6, 2017, BioTime, entered into a Controlled Equity Offering^{SM} Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co., as sales agent ("Cantor Fitzgerald"), pursuant to which BioTime may offer and sell, from time to time, through Cantor Fitzgerald, shares of BioTime common stock, no par value per share, having an aggregate offering price of up to $25,000,000. BioTime is not obligated to sell any shares under the Sales Agreement. Subject to the terms and conditions of the Sales Agreement, Cantor Fitzgerald will use commercially reasonable efforts, consistent with its normal trading and sales practices, applicable state and federal law, rules and regulations, and the rules of the NYSE American, to sell the shares from time to time based upon BioTime's instructions, including any price, time or size limits specified by BioTime. Under the Sales Agreement, Cantor Fitzgerald may sell the shares by any method deemed to be an "at-the-market" offering as defined in Rule 415(a)(4) under the Securities Act of 1933, as amended, or by any other method permitted by law, including in privately negotiated transactions. Cantor Fitzgerald's obligations to sell the shares under the Sales Agreement are subject to satisfaction of certain conditions, including the continued effectiveness of BioTime's Registration Statement on Form S-3 which became effective on May 5, 2017. As of June 30, 2018, $24.2 million remained available for sale through the Sales Agreement under the Registration Statement.

BioTime will pay Cantor Fitzgerald a commission of 3.0% of the aggregate gross proceeds from each sale of shares, reimburse legal fees and disbursements and provide Cantor Fitzgerald with customary indemnification and

contribution rights. The Sales Agreement may be terminated by Cantor Fitzgerald or BioTime at any time upon notice to the other party, or by Cantor Fitzgerald at any time in certain circumstances, including the occurrence of a material and adverse change in BioTime's business or financial condition that makes it impractical or inadvisable to market the shares or to enforce contracts for the sale of the shares.

Transactions with Noncontrolling Interests of AgeX Therapeutics, Inc.

AgeX was formed by BioTime to continue the development of BioTime's technology relating to cell immortality and regenerative biology by developing products for the treatment of aging and age-related diseases. On August 17, 2017, AgeX received its initial assets and cash from BioTime and certain outside investors. BioTime contributed certain assets and cash to AgeX in exchange for 28,800,000 shares of AgeX common stock pursuant to an Asset Contribution and Separation Agreement (the "Asset Contribution Agreement"). BioTime and AgeX also entered into a License Agreement pursuant to which BioTime licensed or sublicensed to AgeX, and AgeX granted to BioTime an option to license back, certain patent rights. Concurrently with the acquisition of assets from BioTime under the Asset Contribution Agreement, AgeX sold 4,950,000 shares of its common stock for $10.0 million in cash primarily to outside investors, which included the Chairman of BioTime's Board of Directors. At the close of the financing on August 17, 2017, BioTime owned 85.4% of the issued and outstanding shares of AgeX common stock.

On June 7, 2018, AgeX sold 2.0 million shares of common stock to an outside investor for $2.50 per share for aggregate cash proceeds to AgeX of $5.0 million. As of the completion of this financing on June 7, 2018, BioTime owns 80.6% of the issued and outstanding shares of AgeX common stock and retains a controlling interest in AgeX (see Note 14).

BioTime accounts for a change in ownership interests in any subsidiary that does not result in a change of control of the subsidiary by BioTime under the provisions of ASC 810-10-45-23*,* which prescribes the accounting for changes in ownership interest that do not result in a change in control of the subsidiary, as defined by GAAP as a result of a transaction. Under this guidance, changes in a controlling shareholder's ownership interest that do not result in a change of control, as defined by GAAP, in the subsidiary are accounted for as equity transactions. Thus, if the controlling interest of a shareholder increases or decreases due to a sale or acquisition of the subsidiary's equity securities, no gain or loss is recognized in the statement of operations of the controlling shareholder if it retains control of the subsidiary. Similarly, the controlling shareholder will not record any additional acquisition adjustments to reflect its subsequent purchases of additional shares in the subsidiary by the controlling shareholder if there is no change of control. Only a proportional and immediate transfer of carrying value between the controlling and the noncontrolling shareholders occurs based on the respective ownership percentages. Accordingly, because the June 7, 2018 additional cash investment made by the outside investor did not result in a change of control of AgeX, this transaction resulted in a $3.6 million proportional equity transfer, at carrying value, from noncontrolling interests in AgeX to BioTime recorded in consolidated shareholders' equity as of June 30, 2018.

Sale of Warrants by AgeX

On February 28, 2018, AgeX sold warrants to purchase 1,473,600 shares of AgeX common stock (the "AgeX Warrants") for $0.50 per warrant for aggregate cash proceeds to AgeX of $736,800. The AgeX Warrants are exercisable at $2.50 per share and expire the earliest to occur of (i) February 28, 2021, (ii) on or after January 31, 2019, after notice from AgeX, if the AgeX shares are publicly traded and the price of AgeX common stock exceeds $3.75 per share for 20 trading days (on a volume weighted average price basis, as defined), and (iii) a change of control, as defined in warrant agreement. If the AgeX shares are not publicly traded, the AgeX Warrants may be exercised only during the period commencing ten business days prior to the expiration date, as defined in the warrant agreement. The AgeX Warrants are classified as equity since, among other factors, they are not redeemable, cannot be settled in cash or other assets and require settlement by issuing a fixed number of shares of common stock of AgeX. The AgeX Warrants were sold at fair value determined on the Binomial Lattice option pricing model on the issuance date, with certain management assumptions, which included the timing of an initial public offering of AgeX common stock, peer-group volatility, term to maturity, price cap and AgeX current and future stock prices. See Note 14.

Cell Cure Warrants – Liability Classified

On July 10, 2017, BioTime purchased all of the outstanding Cell Cure convertible promissory notes and Cell Cure ordinary shares held by Hadasit Bio-Holdings, Ltd. ("HBL"), a former Cell Cure shareholder that owned 21.2% of the issued and outstanding Cell Cure ordinary shares and substantially all of the Cell Cure convertible promissory notes issued by Cell Cure to shareholders other than BioTime. As an inducement to HBL to sell its Cell Cure ordinary shares to BioTime, Cell Cure issued 24,566 warrants to HBL (the "HBL Warrants") to purchase Cell Cure ordinary shares at an exercise price of $40.5359 per warrant share, payable in U.S. dollars. The exercise price of the HBL Warrants is the same price per ordinary share paid by BioTime to HBL for the purchase of the Cell Cure ordinary shares held by HBL. The HBL Warrants are immediately exercisable and expire on the earliest of the lapse of 5 years from the issuance date or immediately prior to the closing of a Corporate Transaction or an initial public offering, as defined in the HBL Warrant Agreement.

Cell Cure has also issued and outstanding 13,738 warrants to purchase Cell Cure ordinary shares at exercise prices ranging from $32.02 to $40.00 per warrant share, payable in U.S. dollars, to consultants (the "Consultant Warrants"), expiring in October 2020 and January 2024. The HBL Warrants and the Consultant Warrants are collectively referred to as the "Cell Cure Warrants".

Because the exercise price of the Cell Cure Warrants is U.S. dollar-denominated and settlement is not expected to occur in the next twelve months, Cell Cure classified the Cell Cure Warrants as a long-term liability in accordance with ASC 815, *Derivatives and Hedging*. ASC 815 requires freestanding financial instruments, such as warrants, with exercise prices denominated in currencies other than the functional currency of the issuer to be accounted for as

liabilities at fair value, with all subsequent changes in fair value after the issuance date to be recorded in the consolidated statements of operations.

The fair value of the Cell Cure Warrants at the time of issuance was determined by using the Black-Scholes option pricing model using the respective contractual term of the warrants. In applying this model, the fair value is determined by applying Level 3 inputs, as defined by ASC 820; these inputs are based on certain key assumptions including the fair value of the Cell Cure ordinary shares, adjusted for lack of marketability, as appropriate, and the expected stock price volatility over the term of the Cell Cure Warrants. The fair value of the Cell Cure ordinary shares is determined by Cell Cure's Board of Directors, which may engage a valuation specialist to estimate the fair value, or may use recent transactions in Cell Cure shares, if any, as a reasonable approximation of fair value, or may apply other reasonable methods to determining the fair value, including a discount for lack of marketability. BioTime determines the stock price volatility using historical prices of comparable public company common stock for a period equal to the remaining term of the Cell Cure Warrants. The Cell Cure Warrants are revalued each reporting period using the same methodology described above, with changes in fair value included in other income and expenses, net, in the consolidated statements of operations. Changes in any of the key assumptions used to value the Cell Cure Warrants could materially impact the fair value of the Cell Cure Warrants and BioTime's consolidated financial statements.

For the three and six months ended June 30, 2018, BioTime recorded a noncash gain of $0.5 million and $0.4 million, respectively, for the decrease in the fair value of the Cell Cure Warrants included in other income and expenses, net. The decrease in the fair value of the Cell Cure Warrants was mainly attributable to the reduced remaining life of the warrants from the prior period, and management's assumption on the lack of marketability discount adjustment on the fair value of Cell Cure ordinary shares. As of June 30, 2018 and December 31, 2017, the Cell Cure Warrants, valued at $0.4 million and $0.8 million, respectively, were included in long-term liabilities on the condensed consolidated balance sheets.

11. Stock Option Plans

BioTime adopted the 2012 Equity Incentive Plan (the "2012 Plan"), under which a maximum of 16,000,000 BioTime common shares are available for the grant of stock options, restricted stock, restricted stock units and stock appreciation rights.

A summary of BioTime's 2012 Plan activity and related information follows (in thousands, except per share amounts):

	Shares Available for Grant	Number of Options Outstanding	Number of RSUs Outstanding	Weighted Average Exercise Price of Options
December 31, 2017 [1]	2,485	8,043	62	$ 3.38
Board mandated restriction restored	5,000	-	-	-
Options granted	(1,239)	1,239	-	2.58
Options exercised	-	-	-	-
Options forfeited/cancelled	272	(292)	-	4.00
Restricted stock units granted	(970)	-	485	-
Restricted stock units vested	-	-	(12)	-
June 30, 2018	5,548	8,990	535	$ 3.25
Options exercisable at June 30, 2018		5,155		