Hemostemix Inc.

Interim Condensed Consolidated Financial Statements

First Quarter Ended March 31, 2016

(Expressed in Canadian Dollars)
(Unaudited)

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For the three months ended March 31, 2016 and 2015
Unaudited

Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

		March 31, 2016		December 31, 2015
Assets				
Current				
Cash and cash equivalents	$	87,694	$	506,581
HST receivable		26,317		18,912
Other receivables and prepaid expenses *(note 4)*		54,893		79,696
		168,904		605,189
Other receivables and prepaid expenses - non-current *(note 4)*		50,970		52,757
Equipment, net *(note 5)*		129,317		138,861
Intangible assets, net *(note 6)*		1		1
	$	349,192	$	796,808
Liabilities				
Current				
Accounts payable and accrued expenses *(notes 7 and 13)*	$	602,806	$	615,532
Income taxes payable		8,943		7,197
Loans payable *(note 8)*		250,000		-
		861,749		622,729
Equity (Deficiency)				
Share capital *(note 9)*		21,952,821		21,952,821
Contributed surplus *(note 11)*		917,857		907,857
Deficit		(23,383,235)		(22,696,599)
		(512,557)		174,970
	$	349,192	$	796,808

Going concern *(note 1)*
Commitments and contingencies *(note 12)*
Subsequent event *(note 14)*

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

Approved by the Board

Signed: ***"Charles W. Baker"***
Director

Signed: ***"Elmar Burchardt"***
Director

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
for the three months ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)
(Unaudited)

		Three months March 31, 2016		Three months March31, 2015
Expenses				
Research and development salaries and related benefits	**$**	**191,633**	$	165,355
Research and development consulting fees *(note 4)*		**33,432**		253,805
Consultant fees		**196,698**		213,905
Lease and office maintenance		**112,355**		112,185
Professional fees		**101,729**		109,157
Travel expenses		**17,555**		12,937
Depreciation *(note 5)*		**9,544**		9,000
Foreign exchange loss		**16,944**		3,678
Finance expenses		**1,112**		1,392
Net loss and comprehensive loss for the period before income tax expense		**(681,002)**		(881,414)
Income tax expense		**5,634**		7,474
Net loss and comprehensive loss for the period	**$**	**(686,636)**	$	(888,888)
Loss per share – basic and diluted	**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding - Basic and diluted		**67,098,119**		65,321,753

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

Interim Condensed Consolidated Statements of Changes in Equity
for the three months ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2014	65,178,839	$ 21,140,085	$ 961,082	$ (18,711,531)	$ 3,389,636
Exercise of share options	250,000	47,750	(27,750)	-	25,000
Exercise of warrants	88,280	44,140	-	-	44,140
Net loss and comprehensive loss for the period	-	-	-	(888,888)	(888,888)
Balance, March 31, 2015	65,517,119	21,231,975	933,322	(19,600,419)	2,569,888
Proceeds from private placement	1,261,000	819,650	-	-	819,650
Shares issued as agent's fees	35,000	-	-	-	-
Shares issue costs	-	(171,779)	-	-	(171,779)
Exercise of share options	225,000	42,975	(15,475)	-	22,500
Exercise of warrants	60,000	30,000	-	-	30,000
Net loss and comprehensive loss for the period	-	-	-	(3,096,180)	(3,096,180)
Balance, December 31, 2015	67,098,119	21,952,821	917,857	(22,696,599)	174,079
Net loss and comprehensive loss for the period	-	-	-	(686,636)	(686,636)
Balance, March 31, 2016	**67,098,119**	**$ 21,952,821**	**$ 917,857**	**$ (23,383,235)**	**$ (512,557)**

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

Interim Condensed Consolidated Statements of Cash Flows
for the three months ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)
(Unaudited)

	2016	2015
Cash flow from operating activities		
Net loss for the period	**$ (686,636)**	$ (888,888)
Items not affecting cash:		
Depreciation of equipment	**9,544**	9,000
Non-cash working capital items:		
Other receivables and prepaid expenses	**26,590**	(78,644)
HST receivable	**(7,405)**	237,742
Accounts payable and accrued expenses	**(12,726)**	(26,456)
Income taxes payable	**1,746**	(28,706)
	(668,887)	(775,952)
Cash flow from investing activity		
Purchase of equipment	**-**	(2,923)
Cash flow from financing activities		
Proceeds from issuance of loans payable	**250,000**	-
Exercise of share options	**-**	25,000
Exercise of warrants	**-**	44,140
	250,000	69,140
Decrease in cash and cash equivalents	**(418,887)**	(709,745)
Cash and cash equivalents, beginning of period	**506,581**	3,305,487
Cash and cash equivalents, end of period	**$ 87,694**	$ 2,595,752

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

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

1. Nature of the Company and Going Concern

Hemostemix Inc. ("The Company") is a biotechnology company whose principal business is to develop, manufacture and commercialize blood-derived cell therapies for medical conditions not adequately addressed by current treatments. Hemostemix Inc., a new entity under the Business Corporations Act (Alberta) was formed by way of amalgamation of Theravitae Inc. ("TVI") and Technical Ventures RX Corp ("Technical"). The Company's head office is located at 1015 – 4 Street, Suite 730, Calgary, Alberta.

In 2014, Technical closed a qualifying transaction with TVI by way of a reverse take-over transaction pursuant to which the parties amalgamated to form Hemostemix Inc. *[see note 3]*. TVI was originally incorporated under the Canada Business Corporations Act and has two wholly-owned subsidiaries. Kwalata Trading Ltd, incorporated under the laws of Cyprus was established to own intellectual property ("IP"). Hemostemix Ltd, another wholly-owned subsidiary was incorporated under the laws of Israel.

The Company incurred a net loss of $686,636 during the three months ended March 31, 2016 (2015 - $888,888) and had an accumulated deficit as of March 31, 2016 of $23,383,235 (2015 - $22,696,599). Recurring sources of revenue have not yet proven to be sufficient, as the Company's biotechnology is at an early stage and the Company has not achieved operational profitability and positive cash flows.

These conditions raise significant doubt about the Company's ability to continue operating as a going concern. The consolidated financial statements do not include any adjustments to reflect any events since December 31, 2015 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this uncertainty.

The Company's ability to continue to operate is dependent upon additional financial support. During fiscals 2015 and 2014, the Company completed private placement financings for total of net proceeds of $647,871 and $6,107,858 respectively.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on May 26, 2016.

2. Summary of Significant Accounting Policies

The Company's principal accounting policies were outlined in the Company's annual audited consolidated financial statements for the year ended December 31, 2015 and have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2015.

Statement of compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards including 34, "Interim Financial Reporting" ("IAS 34"). The notes presented in these unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since our last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited financial statements.

Basis of presentation

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Consolidated financial statements

The interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Kwalata Trading Ltd. and Hemostemix Ltd. The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is determined when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases.

These interim condensed consolidated financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by the Company and all subsidiaries. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the interim condensed consolidated financial statements.

Standards issued and not yet adopted

The following are not expected to be adopted prior to their effective dates, and are being evaluated to determine their impact on the Company.

IFRS 9, Financial Instruments

IFRS 9 – Financial Instruments was issued by the IASB to establish principles for the financial reporting of financial assets and liabilities, including requirements to present certain information relating to the amounts, timing, and uncertainty of the entity's future cash flows. This standard is mandatorily effective from January 1, 2018, with earlier application permitted. Management intends to adopt IFRS 9 on its effective date and has not yet determined the potential impact on the Company's consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2018, and provides new requirements for recognizing revenue. IFRS 15's core principle is for a company to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 sets out enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The Company intends to adopt the new Standard on its effective date and has yet to consider the impact on its financial reporting.

IFRS 16 -Leases

IFRS 16 - Leases sets out a new model for lease accounting, replacing IAS 17. IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15.

3. Reverse Take-over Transaction (“RTO”)

During 2014, the Company completed a reverse takeover transaction pursuant to which Technical Ventures RX Corp., a public company closed a qualifying transaction with Theravitae Inc. and the two parties amalgamated to form a new entity under the Business Corporations Act (Alberta) called "Hemostemix Inc." (“the Company”). The TSX Venture Exchange accepted the filing of the Company’s Qualifying Transaction effective November 27, 2014, resulting in the shares of the Company beginning to trade on the Exchange under the symbol “HEM”.

Pursuant to the transaction all outstanding Technical Ventures RX Corp. securities were exchanged for securities on the new entity on a one for five basis; and all outstanding Theravitae Inc. securities were exchanged on a one for ten basis.

Concurrent to the qualifying transaction, the Company closed a financing whereby 7,000,000 common shares were issued at a price of $0.50 for net proceeds of $3,155,328.

(Expressed in Canadian dollars)

4. Other Receivables and Prepaid Expenses

	March 31, 2016	December 31, 2015
V.A.T. receivable	**$ 8,791**	$ 12,449
Prepaid insurance, rent and security deposit	**97,072**	100,350
Prepaid research and development expenses	**-**	19,654
	105,863	132,453
Less: long-term portion of security deposit	**50,970**	52,757
	$ 54,893	$ 79,696

During the year ended December 31, 2014, the Company entered into an agreement with Criterium, Inc. ("Criterium"), a multi-national clinical research organization which specializes in administering and managing clinical trials. Criterium will manage most aspects of the Company's phase 2 clinical trials. The value of the agreement with Criterium, Inc. is approximately US$3.1 million and will be allocated over the 30 month span of the trial as the expenses are incurred. As at March 31, 2016, the Company has paid Criterium US$1,368,220 (CAD$1,893,617). Of the initial payment, US$150,000 (CAD$195,000) was required as a deposit for clinical research activities that is maintained and replenished as costs are incurred by Criterium. At March 31, 2016 the deposit has been reduced to Nil resulting in a net balance payable to Criterium of US$9,277 (CAD$12,061). The Company will be required from time to time to replenish the deposit to US$150,000.

Notes to Interim Condensed, Consolidated Financial Statements
For the three months ended March 31, 2065 and 2015
(Expressed in Canadian dollars)
(Unaudited)

5. Equipment

	Computers and equipment	Office furniture and equipment	Total
Cost			
As at December 31, 2014	$ 31,762	$ 207,362	$ 239,124
Additions	3,095	20,300	23,295
As at December 31, 2015	$ 34,857	$ 227,562	$ 262,419
Additions	-	-	-
As at March 31, 2016	**$ 34,857**	**$ 227,562**	**$ 262,419**
Accumulated depreciation			
As at December 31, 2014	$ 9,619	$ 77,062	$ 86,681
Depreciation	2,760	34,117	36,877
As at December 31, 2015	$ 12,379	$ 111,179	$ 123,558
Depreciation	633	8,911	9,544
As at March 31, 2016	**$ 13,012**	**$ 120,090**	**$ 133,102**
Net book value			
As at December 31, 2015	$ 22,478	$ 116,383	$ 138,861
As at March 31, 2016	**$ 21,845**	**$ 107,472**	**$ 129,317**

(Expressed in Canadian dollars)

6. Intangible Assets

Proprietary Protection **-** The Company's intellectual property is protected by several issued patents grouped together in five patent families. Additional provisional patent applications have been filed and patents continue to be prosecuted in additional countries**.**

The five patent families are:

Family Patent	**Status**	**Title**
1	Granted in several countries including in the US Pending in Canada	In vitro techniques for use with stem cells
2	Granted in several countries Pending Canada and US	Production from blood of cells of neural lineage
3	Granted in Singapore Pending in Canada and US	Regulating stem cells
4	Granted in several counties including the US Pending in Canada	Regulating stem cells
5	Granted Mexico, Singapore	Automated cell therapy

7. Accounts Payable and Accrued Expenses

		March 31, 2016		December 31, 2015
Accounts payable	**$**	**382,403**	$	409,678
Employee and payroll accruals		**82,502**		75,388
Accrued expenses		**137,901**		130,466
	$	**602,806**	$	615,532

(Expressed in Canadian dollars)

8. Loans Payable

		March 31, 2016		December 31, 2015
Non-interest bearing loans, due to directors of the Company, unsecured and payable on demand	$	**250,000**	$	-

During the three months ended March 31, 2016 two Directors of the Company each loaned the Company $100,000 and $150,000 for working capital purposes.

9. Share Capital

The Company is authorized to issue an unlimited number of shares designated as Common Shares and an unlimited number of shares designated as Preferred Shares.

Common Shares

	Number of Shares #	**Amount $**
Balance, December 31, 2014	**65,178,839**	**$ 21,140,085**
Share options exercised (i)	250,000	47,750
Warrants exercised (ii)	88,280	44,140
Balance, March 31, 2015	**65,517,119**	**$ 21,231,975**
Proceeds from private placement (iii)	1,261,000	819,650
Shares issued as agents fees (iii)	35,000	-
Share options exercised (iv)	225,000	42,975
Warrants exercised (v)	60,000	30,000
Share issue costs	-	(171,779)
Balance, December 31, 2015 and March 31, 2016	**67,098,119**	**$ 21,952,821**

9. Share Capital - continued

(i) During the period ended March 31, 2015, 250,000 share options were exercised at a price of $0.10 a share for proceeds of $25,000. An amount of $22,750 representing the fair value of the options exercised was transferred from contributed surplus to share capital**.**

(ii) During the period ended March 31, 2015, 88,280 warrants were exercised as a price of $0.50 for proceeds of $44,140.

(iii) On December 2, 2015, the Company entered into share subscription agreements according to which the company issued 1,261,000 units, at a price of $0.65 per share, for gross proceeds of $819,650. Each unit consisted of one common share and a half of one common share purchase warrant. The Company issued additional 35,000 common shares as a finders' fee to the broker.

The 630,500 non-transferable warrants are exercisable at $1.25 a share and 17,500 agents warrants exercisable at $1.25 per share and another 77,780 agents warrants exercisable at $1.25 per share. *[see note 9]*

(iv) During the period ended December 31, 2015, 250,000 share options were exercised at a price of $0.10 a share for proceeds of $22,500. An amount of $20,475 representing the fair value of the options exercised was transferred from contributed surplus to share capital.

(v) During the period ended December 31, 2015, 60,000 warrants were exercised as a price of $0.50 for proceeds of $30,000.

During the period ended December 31, 2015, the Company incurred cash transaction costs totalling $171,779 in addition to $35,000 of costs that were satisfied by the issue of 35,000 shares, and $50,557 of costs that were satisfied by the issue of 77,780 agent warrants at $0.65.

Notes to Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

10. Warrants

A summary of the status of the Company's warrants as at March 31, 2016 and December 31, 2015 is as follows:

	March 31, 2016		**December 31, 2015**	
	Number of options #	**Weighted average exercise price** $	**Number of warrants** #	**Weighted average exercise price** $
Balance, beginning of period	**1,885,691**	**0.79**	1,522,438	1.68
Granted	**-**	**-**	725,780	1.25
Expired	**-**	**-**	(214,247)	(9.05)
Exercised	**-**	**-**	(148,280)	(0.50)
Balance, end of period	**1,885,691**	**0.79**	1,885,691	0.79

In 2015 as part of a private placement, the Company issued 630,500 warrants that entitling the holder to acquire an additional common share at $1.25 per share and expiring on December 2, 2017. The Company also issued 17,500 agents warrants entitling the holder to acquire an additional common share at $1.25 per share and expiring on December 2, 2017, and 77,780 agents warrants entitling the holder to acquire an additional common share at $1.25 and expiring on December 2, 2020.

During 2015, 172,403 warrants at a price of $9.00, 12,612 warrants at a price of $10.00 and 29,232 warrants at a price of $7.50 totalling 214,247 warrants expired and 148,280 warrants were exercised at a price of $0.50 for proceeds of $74,140.

No warrants were granted or exercised during the three months ended March 31, 2016.

The exercise price and expiry date of warrants outstanding as at March 31, 2016 are as follows:

Warrants	**Exercise Price**		**Expiry Date**
1,159,911	$	0.50	November 27, 2019
648,000	$	1.25	December 2, 2017
77,780	$	1.25	December 2, 2020
1,885,691			

(Expressed in Canadian dollars)

11. Share Options

	March 31, 2016		December 31, 2015	
	Number of options #	**Weighted average exercise price** $	**Number of options** #	**Weighted average exercise price** $
Balance, beginning of period	**5,305,000**	**0.11**	5,780,000	0.11
Exercised	**-**	**(0.10)**	(475,000)	(0.10)
Balance, end of period	**5,305,000**	**0.11**	5,305,000	0.11

Number of Options #	**Exercise Price** $	**Weighted average remaining life** [years]
5,205,000	0.10	2.56
100,000	0.50	1.97
5,305,000		**2.55**

During 2015, 475,000 (2014 – Nil) share options were exercised at a price of $0.10 a share for proceeds of $47,500. An amount of $43,225 representing the fair value of the options exercised was transferred from contributed surplus to share capital.

There were no share options granted or exercised during the three months ended March 31, 2016.

(Expressed in Canadian dollars)

12. Commitments and Contingencies

Lease commitments

The Company and the facility's lessor signed a laboratory and office lease agreement in September 2014. The last leasing period under this agreement expires in 2017.

The minimum lease commitments are as follows:

2016	$ 141,669
2017	106,252
	$ 247,921

Contingencies

In 2013 a former CEO and current Director of the Company, sued the Company due to unpaid compensation fees in an amount of $138,000, with regards to 2008 until 2010 years. On August 16, 2013 the Company filed a statement of defence to the lawsuit. Management does not consider it probable that it will have to make any cash outflow therefore; the Company has not recorded a provision.

In 2015 the Company was party to a claim made by a former officer and director related to share options held in escrow. While management reached a settlement with this individual, a claim was made subsequent to the settlement. Management is defending its position on the options and settlement and does not believe the claim to be material but has, nevertheless, accrued for the balance and settlement payments and the options in dispute remain issued and outstanding.

In 2015 the Company was party to a claim made by a former officer related to salary, bonus and options. Management believes this claim is without merit and is inflated and is not material in nature. The Company intends to defend the claim. No provision has been recorded.

Consulting

The Company has entered into an agreement with Criterium to provide clinical research as described in Note 4. Under the agreement, the Company is expecting to pay a total of US$3.1 million over a 30 month period, subject to milestones and services. As of March 31, 2016 the Company has paid US$1,368,220 (CAD$1,893,617).

Licensing Agreement

In 2015, the Company announced that it had formed a strategic alliance by way of a binding term sheet with Hemostemix Asia, Inc. (“HEMA”), a private, independent company based in Taipei, Taiwan. The agreement covers a manufacturing and commercial license to HEMA of the Company’s ACP-01 technology for treating critical limb ischemia patients in Taiwan, China and South Korea. HEMA will fund and contribute to clinical trials and establish a manufacturing hub in Taiwan. As part of the licensing agreement, the Company will receive a 35% ownership in HEMA. As at March 31, 2016, the definitive agreement has not yet been completed and the ownership interest in HEMA has not been transferred.

13. Related Party Balances and Transactions

Related party transactions are conducted on the terms and conditions agreed to by the related parties. It is the Company's policy to conduct all transactions and settle all balances with related parties on market terms and conditions.

The following includes all compensation to key management personnel:

The Company incurred $100,942 in consulting fees to a current director and officer and an officer of the Company during the three months ended March 31, 2016 (2015 - $109,595). As at March 31, 2016, the Company has $78,166 in accounts payable and accrued liabilities owing to these directors and officers (December 31, 2015 - $68,260).

14. Subsequent event

On April 21, 2016, the Company announced it will undertake a non-brokered private placement offering which will consist of the issuance of up to 12,500,000 units at a price of $0.40 per Unit, for aggregate maximum gross proceeds of up to CDN $5,000,000. There is no minimum amount to be raised. Each Unit shall consist of one common share of the Company and one non-transferable share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional Common Share at an exercise price of $0.60 per warrant, exercisable for a period of twenty-four months from the closing of the Offering. The Offering is expected to close in multiple tranches.