Hemostemix Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the three months ended March 31, 2016 and 2015 as at May 30, 2016

Introduction

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Hemostemix Inc. (the "Company" or "HEMOSTEMIX") for the three months ended March 31, 2016 and March 31, 2015, and is intended to help readers better understand operations and key financial results, as they are, in our opinion, at the date of this report and should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2016 and March 31, 2015 and the accompanying notes. These interim condensed consolidated financial statements do not contain all disclosures required by IFRS for annual financial statements, and , accordingly, should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2015. All financial analysis, data and information set out in this MD&A are unaudited. The unaudited interim condensed financial statements and MD&A have been reviewed by the Audit Committee of the Company and have been approved by its Board of Directors. Additional information relating to the Company is available on SEDAR at www.sedar.com as well as the Company's Web site at www.hemostemix.com.

These statements are essentially forward-looking and are subject to risks and uncertainties, as described in the "Risks and Uncertainties" section, below. Actual results, levels of activity, performance or achievements could differ materially from those projected, discussed or contemplated herein and are dependent upon on a number of factors, including the successful and timely completion of research and development initiatives, the uncertainties related to the market acceptance, and the commercialization of our products thereafter.

Consolidation and Presentation

RTO Transaction

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.

The unaudited interim consolidated financial statements of the Company comprise the accounts of Hemostemix Inc., (formerly Theravitae Inc.) Hemostemix Ltd, and Kwalata Trading, the Company's wholly-owned subsidiaries. Hemostemix Inc. was incorporated on May 6, 2006 under the provisions of the Canadian Business Corporations Act in Canada with its current head office located at Suite 730, 1015 - 4 Street SW, Calgary, Alberta T2R 1J4. Hemostemix Ltd. was incorporated on June 20, 2011 in Israel and Kwalata Limited ("Kwalata") was incorporated on November 1, 2007 in Cyprus.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. Each subsidiary determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the subsidiaries is Canadian dollars. Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or recorded in equity in hedging transactions, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

SELECTED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31 2016 AND 2015

The following table provides selected consolidated financial information for the Company as at and for the three months ended March 31, 2016 and March 31, 2015.

	As at March 31, 2016 Total $	As at March 31, 2015 Total $
Current assets	**168,904**	2,872,413
Total assets	**349,192**	3,066,429
Total liabilities	**861,749**	496,541
	Three months ended March 31, 2016 Total $	Three months ended March 31, 2015 Total $
Total expenses	**686,002**	881,414
Net and comprehensive loss	**(686,636)**	(888,888)
Basic and diluted loss per share	**(0.01)**	(0.01)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following MD&A of the results of operations and financial condition of the Company are based on and derived from and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes to the financial statements for the three months ended March 31, 2016 and 2015.

Caution regarding forward-looking statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's goal of creating shareholder value; its ability to meet its operating costs for the fiscal year ended December 31, 2015; the plans, costs, and timing for future research and development of the Company's stem cell technologies, including the costs and potential impact of complying with existing and proposed laws and regulations and clinical trials; management's outlook regarding future trends; sensitivity analysis on financial instruments that may vary from amounts disclosed; prices and price volatility the Company's products; and general business and economic conditions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Company's stage of development, long-term capital requirements and future ability to fund operations, future developments in the Company's markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Company's operations. Each factor should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. See "Risk Factors."

The Company disclaims any intention or obligation to update or revise these forward-looking statements, resulting from new information, future events or otherwise.

History

Hemostemix commenced operations in 2006 as a clinical stage biotechnology company with a patented technology and whose principal business is to develop, manufacture and commercialize blood-derived cell therapies to treat various diseases not adequately addressed by current therapies. It was granted the Technology Pioneer Award by the World Economic Forum in 2006.

Hemostemix conducts operations through its wholly owned subsidiary, Hemostemix Ltd., in Israel, which is primarily its R&D and manufacturing site. Hemostemix Ltd. develops cell therapy products from the patient's own blood, a relatively low-risk, cost-effective and non-invasive source of therapeutic cells.

The Company completed corporate and operational activities over the past three years and in the current period as follows:

a) completion of financings sufficient to support research and development, prepare the launch of the phase 2 clinical trial for critical limb ischemia (CLI), and the pursuit of additional patents;

b) incorporation of Hemostemix, including the establishment of a GMP-compliant manufacturing facility;

c) continuing to file, maintain, and pursue, its patent portfolio, which lead to the granting of 50 patents in various jurisdictions during this period; and

d) execution of Arrangement and completion of a going public transaction;.

e) began trading as Hemostemix Inc.(TSXV:HEM) on the TSX Venture Exchange in November 2014;

f) Began trading as Hemostemix Inc. (OTCQX:HMTXF) on the OTCQX Exchange in December 2015;

g) Added key management personnel in 2015 and during the first three months ended March 31, 2016.

While Hemostemix corporate head office is in Calgary, Alberta, the Company also has a fully equipped 2,200 square foot research and manufacturing facility in Ness Ziona, Israel. This facility can supply product for clinical trials while Hemostemix evaluates its manufacturing options as demand for product increases. The facility also provides important product development support for submissions to regulatory agencies and develops new technologies to enrich the Hemostemix product pipeline. The facility is equipped with a clean room and equipment necessary to conduct the proprietary process of manufacturing outlined in its intellectual property and both disclosed to and approved by Health Canada for the purposes of providing the product for Hemostemix' phase 2 clinical trial.

Hemostemix continues to explore the viability of outsourcing the manufacture of its clinical product in certain circumstances. The Company is also looking to establish additional manufacturing capabilities.

Hemostemix has five families of patents related to its products and manufacturing processes. The intellectual property of the company broadly covers synergetic cell populations and angiogenic cell precursors (ACPs, including the lead cell product ACP-01), bone cell precursors (BCPs), myocardial cell precursors (MCPs), and neural cell precursors (NCPs).

Hemostemix, has a non-exclusive license agreement with AIM, a Tampa, Florida based company for the treatment of patients in Bahamas and Panama. AIM reported that they used products manufactured under the Hemostemix license in a few individual patients.

Hemostemix Mission Statement

Hemostemix is a clinical-stage company developing and commercializing therapies for the treatment of serious medical conditions, including critical limb ischemia ("CLI"), that are not adequately addressed by current treatments.

Outlook and Growth Strategy

Hemostemix started to enroll patients in a prospective, international, multi-center, placebo-controlled, double blind, clinical phase II trial in Canada and in South Africa in 2014.

The primary product in development, which consumes most of the Company's initial focus and development resources, is "ACP-01". ACP-01 is an innovative, proprietary, autologous, blood-derived cell product. Hemostemix' prospective,

randomized, placebo-controlled, double blind phase 2 clinical trials to confirm the safety and efficacy of ACP-01is currently enrolling patients in two centers in Canada and in four centers in South Africa. The clinical trial will enroll approximately 95 patients who will be followed for a minimum period of six months.

In August 2015 Hemostemix received clearance from the FDA to expand its clinical trial activities to the United States. Hemostemix has started the necessary preparations to enroll participants in centers in the United States. In December 2015 Hemostemix announced that Hemostemix is in discussions with leading U.S. medical centers, such as the Houston Methodist DeBakey Heart & Vascular Center, University of California Davis Vascular Center, Ronald Reagan UCLA Medical Center, Temple University, Malcom Randall Veterans Affairs Medical Center, and Yale University. The terms of contractual agreements were being negotiated with some of these sites, and several sites were in the process of submitting study documents to their respective institutional review boards. In April 2016 Hemostemix announced that it had received IRB approval from the Houston

Based on Hemostemix' current projections, recruitment of patients into the trial will continue until the end of 2016. An interim analysis is planned after 42 patients have received treatment (or placebo) and sufficient follow-up information is available. In addition to its ongoing phase 2 multicenter trials, Hemostemix is planning supporting preclinical experiments and a small open label clinical trial using high resolution imaging to demonstrate that ACP-01 improves microcirculation. If these studies are completed successfully, Hemostemix will progress its lead development product, ACP-01, into a global pivotal phase 3 clinical development program.

Hemostemix has retained a clinical research organization ("CRO") to manage most aspects of the phase 2 clinical trial of ACP-01 for CLI. Hemostemix will initiate the trial using product manufactured in its own facility and personnel in Israel. Hemostemix is a exploring other manufacturing option to supply products for ongoing clinical trial activities as well as to prepare for commercial distribution of ACP-01 in jurisdiction where early commercial distribution of the ACP-01 is possible.

Hemostemix may expand its manufacturing capacity using its own resources or a contract manufacturer. To achieve commercial production of its lead product, ACP-01 for CLI, Hemostemix is required to obtain regulatory approval in each respective country it intends to market ACP-01. Management of Hemostemix believes it may be possible to achieve this in a few jurisdictions on the strength of positive phase 2 data, but in most jurisdictions clinical data from a phase 3 clinical trial will be required to obtain such approval. While focusing on developing ACP-01 through the clinical trial process in the US and in Europe Hemostemix will seek early commercialization alone or with partners in countries having a suitable regulatory framework. Hemostemix anticipates that ACP-01 may have broader applications across a variety of circulatory diseases where blood flow is impaired. Once proof of concept data is available from its clinical trials in CLI, Hemostemix anticipates that ACP-01 can be developed for a variety of cardiovascular diseases, either by Hemostemix alone or with partners.

While the focus of its activities is its lead product, ACP-01, Hemostemix is planning to further advance its other proprietary cell products, i.e., BCPs, MCPs, and NCPs, through experimental, non-human testing towards first use in humans. For these products, first use in humans is currently not planned before 2017.

The development of its platform technology products in different regions of the world and across different indications will be done directly and/or through licensees or partners.

Hemostemix does not currently distribute any commercial products or provide any commercial services in any markets.

Hemostemix does not generate commercial revenue at this time. Hemostemix has one licensee, AIM, based in Florida, USA, which markets the treatment it has licensed from Hemostemix to treat patients in the Bahamas under Bahamian government supervision and has received clearance to treat these patients within a clinical trial. AIM had very limited operations to date, as noted above and Hemostemix has not received any revenue from AIM

In July 2015, the Company announced that it is forming a strategic alliance 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 Hemostemix ACP-01 technology for treating critical limb ischemia (CLI) patients in Taiwan, China, and South Korea. HEMA intends to fund and contribute up to 20 participants from three to five clinical sites in Taiwan to the ongoing Hemostemix phase-2 clinical trial for treating CLI. HEMA will also establish a manufacturing hub in Taiwan to serve the Asian market upon successful commercialization of ACP-01. As part of the licensing agreement, Hemostemix will be an equity partner with 35% ownership in HEMA. The agreement was completed in September, 2015. Currently the Company is working with HEMA to execute corporate and operational requirements set forth in the agreement and anticipates further progress in the coming months

Marketplace overview

Hemostemix does not currently sell any products or services. When approved, Hemostemix intends to sell its products into the healthcare markets for the treatment of specific conditions or diseases. This will be done directly and/or through licensees or partners. Hemostemix plans to distribute its product globally where it, or its partners, licensees, or distributors, obtain regulatory clearance to do so. Hemostemix is pursuing partnerships, licenses, and financing as appropriate to advance the development and commercialization of ACP-01 and other products in its pipeline. In addition to focusing on its phase 2 trials, Hemostemix is engaged in identifying partners for commercialization of its lead product in countries having a regulatory framework which may permit ACP-01 being brought to market in a shorter term.

Hemostemix operates within the emerging industry of regenerative medicine. If Hemostemix products are launched commercially, the market will be physicians and their patients. Market acceptance is anticipated to be a function Hemostemix product advantages including safety, efficacy and cost.
The human clinical testing and commercial distribution of Hemostemix' products are strictly regulated by regulatory authorities with some harmonization of regulatory controls within the European Union and between the European Union and other countries including the United States.

Marketing Plans and Strategies

Hemostemix intends to sell its products into healthcare markets for the treatment of specific conditions once regulatory approval is obtained. This will be done directly and/or through licensees or partners. Hemostemix intends to distribute its product globally where it, or its partners, licensees, or distributors, obtain regulatory clearance to do so. At the time of this filing, the sale of its products without further clinical testing, either direct or through other parties, is not part of Hemostemix' current business objectives for the purposes of this filing.

As noted above, Hemostemix, through its wholly-owned subsidiary, Kwalata, has one licensee, AIM, which markets the treatment it has licensed from Hemostemix to treat patients in a clinical trial in the Bahamas under Bahamian government

supervision as well as in the Republic of Panama. Management of Hemostemix does not believe AIM's operation or the status of the license agreement is material to Hemostemix current operations.

Competition

There is currently no approved same-class competition for Hemostemix lead product, ACP-01. Medical alternatives are primarily focused around surgical intervention, including bypass surgery, angioplasty and stenting. In approximately 25% of the patients, none of the above noted alternatives mentioned are effective and the only option left for those patients is amputation of the diseased limb.

A small number of companies are pursuing the development of and clinical testing of cell based and other regenerative medicine products which could be considered same-class competitors.

Events, News and Milestones during the fiscal three months ended March 31, 2016

1. **Janaury 21, 2016 - Hemostemix Presents at Phacilitate Cell & Gene Therapy World 2016**

Hemostemix announced that Dr. Elmar Burchardt, the Company's president and CEO, was an invited speaker at Phacilitate Cell & Gene Therapy World 2016 held January 25th to 27th in Washington, D.C. Dr. Burchardt presented "Developing a Cell Therapy for Critical Limb Ischemia (CLI): A Few Potholes from the Past and Navigating the Road Ahead," which focuses on the Hemostemix lead product ACP-01 and its international, multicenter, phase-2 clinical trial for patients with CLI.

2. **January 21, 2016 - Hemostemix Company Information Now Available Through S&P Capital IQ Corporation Records Program**

Hemostemix announced that its company information would be made available via the S&P Capital IQ Corporation Records Listing Program. As part of the program, a full description of Hemostemix will be published in the daily news section of Standard & Poor's Corporation Records, a recognized securities manual for secondary trading in up to 38 states under the Blue Sky Laws. *S&P Capital IQ Corporation Records.*

3. **March 28, 2016 - Hemostemix Appoints Hardean E. Achneck, M.D. as Chief Medical Officer**

Hemostemix announced the promotion of Hardean E. Achneck, M.D., to the position of Chief Medical Officer. As Chief Medical Officer, Dr. Achneck will lead and implement the company's multinational clinical research programs and oversee all medical affairs activities.

Dr. Achneck is a graduate of Yale College and the Yale School of Medicine. He was formerly an Assistant Professor of Surgery and Pathology at the Duke University School of Medicine and Cardiovascular and Metabolic Disorders at Duke-National University of Singapore, Singapore. Dr. Achneck brings over a decade of clinical research experience across various therapeutic areas to the position of Chief Medical Officer. Prior to this promotion, he served Hemostemix as Vice President of Clinical Research and Operations.

4. **March 31, 2016 - Hemostemix Appoints Robert Achtymichuk as Vice President, Business Development**

Hemostemix announced the appointment of Robert Achtymichuk as its new Vice President, Business Development. In this role, Robert will lead all business development initiatives, including partner and investor engagement and will collaborate

with the senior leadership team to develop and execute strategies that drive continued growth to ensure the company continues to evolve and generate value for its shareholders.

Robert holds a degree in petroleum engineering from the University of Alberta and a Partners, Directors and Senior Officers designation from the Canadian Securities Institute. Before joining Hemostemix, he spent over 29 years in the financial investment industry, including nine years as a Vice President at Haywood Securities.

RESULTS OF OPERATIONS

	Three months ended March 31, 2016	Three months ended March 31, 2015	Dollar Increase (decrease)	Percentage Increase (decrease)
Research and development salaries and related benefits	**191,633**	**165,355**	26,278	16%
Research and development consulting fees	**33,432**	**253,805**	(220,373)	-87%
Consultant fees	**196,698**	**213,905**	(17,207)	-8%
Lease and office maintenance	**112,355**	**112,185**	170	0%
Professional fees	**101,729**	**109,157**	(7,428)	-7%
Travel expenses	**17,555**	**12,937**	4,618	36%
Depreciation	**9,544**	**9,000**	544	6%
Foreign exchange loss	**16,944**	**3,678**	13,266	361%
Finance expenses	**1,112**	**1,392**	(280)	-20%
Net and comprehensive loss for the year before taxes	**(681,002)**	**(881,414)**	200,412	-23%
Income tax expense	**5,634**	**7,474**	(1,840)	-25%
Net and comprehensive loss for the period	**(686,636)**	**(888,888)**	202,252	-23%

Analysis of expenses

Research and development salaries and related benefits for the three months ended March 31, 2016 were $191,633 compared to $165,355 for the three months ended March 31, 2015, an increase of $26,278 or 16%. During 2015 the Company continued to grow its R&D team in order to support additional work including the research and development activity primarily related to the increase in clinical trial patients. The larger R&D team in Q1, 2016 explains the increase in salaries and benefits compared to Q1, 2015.

Research and development consulting fees for three months ended March 31, 2016 were $33,432 compared to $253,805 for the three months ended March 31, 2015, a decrease of $220,373or 87%. In the first quarter of the last fiscal year, the Company incurred significant start up and milestone payments that resulted from retaining a leading clinical research organization (CRO) for the Company's phase 2 clinical trials in critical limb ischemia which represents a large portion of these consulting fees. The year during the first quarter there were no milestone payments made.

Consultant fees for the three months ended March 31, 2016 were $196,698 compared to $213,905 for the three months ended March 31, 2015 representing a decrease of $17,207 or 8%. This decrease is the result some changes and personnel and some cost savings related to the work performed.

Lease and office maintenance for the three months ended March 31, 2016 was $112,355 compared to $112,185 for the three months ended March 31, 2015 representing a minimal increase of $170. Lease and office maintenance include rent for leased

space for the labs in Israel, costs for supplies and materials, equipment rental, courier and utilities, and office administration which has remained consistent in Q1, 2016 compared to Q1 ,2015.

Professional fees for the three months ended March 31, 2016 were $101,729 compared to $109,157 for the three months ended March 31, 2015 representing a decrease of $7,428 or 7%. The decrease is explained by lower accounting and legal fees.

Travel expenses for the three months ended March 31, 2016 were $17,555 compared to $12,937 for the three months ended March 31, 2015, an increase of $4,618 or 36%. This increase is attributable to normal fluctuation in travel related business development and research initiatives.

Depreciation was $9,544 for the three months ended March 31, 2016 compared to $9,000 for the three months ended March 31, 2015 an increase of $544 or 6%. This increase is predominately related to office furniture and equipment additions of $23,295 during 2015.

Foreign exchange loss for the three months ended March 31, 2016 was $16,944 compared to $3,678 for the three months ended March 31, 2015, an increase of $13,266 or 361%. The loss in Q1, 2016 relates to an unrealized foreign exchange loss on assets denominated in US currency due to the weakening of the US dollar from the beginning of 2016 to March 31, 2016, which was more significant than the same period prior year.

Finance expenses for the three months ended March 31, 2016 was $1,112 compared to $1,392 for the three months ended March 31, 2015, a decrease of $280 or 20%. This is related to slightly lower interest charges and fees incurred during Q1, 2016 compared to Q1, 2015.

Income taxes expense was $5,634 for the quarter ended March 31, 2016 compared to $7,474 for the three months ended March 31, 2015, a decrease of $1,840 or 25%. This decrease is related to the tax expenses for the period ended March 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended March 31, 2016, there was a net cash outflow from operating activities of $668,887 compared to a net cash outflow of $775,952 for the three months ended March 31, 2015, a decrease of $107,065.

Expressed in tabular form, the decrease in the net cash used for operations is as follows:

Decrease in net loss for the period	202,252
Increase in depreciation of fixed assets	544
Change in other receivables and prepaid expenses	105,234
Change is HST receivable	(245,147)
Change in accounts payable and accrued liabilities	13,730
Change in Income taxes payable	30,452
Decrease in the net cash used for operations	107,065

As at March 31, 2016 the Company had a working capital deficit of $692,845 compared to a working capital deficit of $17,540 at December 31, 2015, a deficit increase of $675,305. This increase in working capital deficit is a result of;

1) A decrease in cash of $418,887;
2) A decrease in other receivables and prepaid expenses of $24,803;
3) An increase in income taxes payable of $1,746; offset by;
4) The issuance of loans payable of $250,000;
5) An increase in HST receivable of $7,405;
6) A decrease in accounts payable and accrued expenses of $12,726.

Outstanding Share Data

As at March 31, 2006, the number of outstanding shares was 67,098,119 (December 31, 2015 – 67,098,119). During the three months ended March 31, 2016 there were no share transactions.

As at May 26, 2016 the number of shares outstanding remained at 67,098,119.

As at March 31, 2016, the Company had 5,305,000 share purchase options outstanding (December 31, 2015 – 5,305,000). During the three months ended March 31, 2016 there were no stock options granted or exercised.

As at May 26, 2016, the number of outstanding share purchase options remained at 5,305,000.

As at March 31, 2016, the Company had 1,885,691 share purchase warrants outstanding (December 31, 2015 – 1,885,691). During the three months ended March 31, 2016 there were no warrants granted or exercised.

As at May 26, 2016 the number of outstanding warrants remained at 1,885,691.

SEGMENTED INFORMATION

The Company had two geographical segments as at and for the three months ended March 31, 2016 and 2015 respectively, comprising head office and general operations of Hemostemix Inc. in Canada and its wholly-owned subsidiary, Hemostemix Limited in Israel.

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	Canada	**Israel**	**Total**	Canada	Israel	Total
Current assets	**90,269**	**78,635**	**168,904**	2,570,030	302,383	2,872,413
Total assets	**90,269**	**258,923**	**349,192**	2,570,030	496,399	3,066,429
Total liabilities	**727,494**	**134,255**	**861,749**	402,817	93,724	496,541
Depreciation	**-**	**9,544**	**9,544**	-	9,000	9,000
Total expenses	**363,146**	**317,856**	**681,002**	591,490	289,924	881,414
Income tax expense	**-**	**5,634**	**5,634**	-	7,474	7,474
Net and comprehensive income (loss)	**363,146**	**323,490**	**686,636**	591,490	297,398	888,888

SUBSEQUENT EVENTS AND NEWS

1. **April 18, 2016 - Hemostemix Receives IRB Approval from the Houston Methodist Hospital Research Institute and the University of California Los Angeles**

The Company announced the approval of its lead product ACP-01 for critical limb ischemia (CLI) for use in the company's Phase 2 clinical trial by the Institutions Review Boards of the Houston Methodist Hospital Research Institute and University of California Los Angeles.

Hemostemix previously received clearance of its investigational new drug application for its double blind placebo controlled study to assess bloodderived autologous angiogenic cell precursor therapy in patients with critical limb ischemia from the FDA. Under FDA regulations, Institutions Review Boards (IRBs) are required to review all human subjects research to ensure that the rights and welfare of human subjects are protected at all times. To accomplish this purpose, IRBs are comprised of physicians and research administrators with the authority to approve, require modifications to or disapprove research. The Hemostemix research study and all pertinent study related materials were critically examined by the two IRBs and approved without any modifications.

2. **April 21, 2016 – Hemostemix Announces Non-Brokered Private Placement**

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.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 to the audited annual consolidated financial statements for a detailed description of our significant accounting policies which have been applied consistently to the March 31, 2016 interim condensed consolidated financial statements.

STANDARDS ISSUED BUT 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 our after January 1, 2019. Early adoption will be permitted, provided the Company adopts IFRS 15.

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).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has established and continues to complement a system of disclosure controls and procedures and internal controls over financial reporting. This system is designed to provide reasonable assurance that material information relating to the issuer and its subsidiaries are available and reported to senior management and permits timely decisions regarding public disclosure. As of March 31, 2016, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings are effective, except as noted below, to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's disclosure controls and procedures are indicative of many small and growing companies. Consequently, management has identified certain weaknesses that currently exist in the disclosure controls and procedures including, but not limited to, the segregation of duties and expertise in specific areas of public disclosure. The existence of these weaknesses is partially compensated for by senior management monitoring these issues, and in the case of complex or extraordinary transactions, consulting with external experts to advise management in their analysis and conclusions.

Throughout the year management continued to address, as required, steps to improve disclosure controls and procedures and internal controls over financial reporting. However, no specific changes to disclosure controls and procedures were made during the period. The Company recognizes this is an ongoing and dynamic process and continues to focus on internal controls related to financial reporting and disclosure controls and procedures and is committed to further improvements in the future.

RISKS AND UNCERTAINTIES

Possible Failure to Realize Anticipated Benefits of the Arrangement

Hemostemix completed a "going public" transaction by way of a reverse take-over in November 2014, to create a stronger and better positioned entity to strengthen their position in the clinical stage biotechnology industry and to create the opportunity to realize certain benefits including, among other things, the commercialization of the stem cell industry, increased liquidity, greater access to capital markets and increased ability to pursue and the development and acquisition opportunities. Achieving the benefits of this transaction depends, in part, on successfully consolidating the operations of Hemostemix in an efficient manner. There can be no assurance that, after giving effect to the transaction, Hemostemix will be able to realize the anticipated growth opportunities and synergies required to achieve the anticipated benefits.

Biotech Public Market Risks

Prospects for companies in the biotechnology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology companies should be regarded as speculative. Biotechnology research and development involves a significant degree of risk. An investor should carefully consider the risks and uncertainties described below. The risks and uncertainties described below are not an exhaustive list. Additional risks and uncertainties not presently known to Hemostemix or that Hemostemix believes to be immaterial may also adversely affect Hemostemix business. If any one or more of the following risks occur, Hemostemix business, financial condition and results

of operations could be seriously harmed. Further, if Hemostemix fails to meet the expectations of the public market in any given period, the market price of Hemostemix Shares could decline.

Early Stage Development and Scientific Uncertainty

Hemostemix products are at an early stage of development. Significant additional investment in research and development, product validation, technology transfer to manufacturing, production scale-up, manufacturing, clinical testing, and regulatory submissions of such product candidates is required prior to commercialization. There can be no assurance that any such products will actually be developed. The development and regulatory processes may require access to raw materials and inputs which may not be available to Hemostemix in sufficient amounts or in a timely fashion to allow Hemostemix to complete the development or receive regulatory approval of any product or process. A commitment of substantial time and resources is required to conduct research and clinical trials if Hemostemix is to complete the development of any product. It is not known whether any of these product or process candidates will meet applicable health regulatory standards and obtain required regulatory approvals, or whether such products can be produced in commercial quantities at reasonable costs and be successfully marketed, or if Hemostemix 's investment in any such products will be recovered through sales or royalties.

Additional Financing Requirements and Access to Capital

Hemostemix will require substantial additional funds for further research and development, planned clinical testing, regulatory approvals, establishment of manufacturing capabilities and, if necessary, the marketing and sale of its products. Hemostemix may attempt to raise additional funds for these purposes through public or private equity or debt financing, collaborations with other biopharmaceutical companies and/or from other sources. There can be no assurance that additional funding or partnership will be available on terms acceptable to Hemostemix and which would foster successful commercialization of Hemostemix products.

Government Regulations

Biotechnology and pharmaceutical companies operate in a high-risk regulatory environment. The manufacture and sale of animal and human diagnostic and therapeutic products is governed by numerous statutes and regulations in the United States, Canada and other countries where Hemostemix intends to market its products. The subject matter of such legislation includes approval of manufacturing facilities, controlled research and testing procedures, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities, notably advertising and labelling.

The process of completing clinical testing and obtaining required approvals is likely to take several years and require the expenditure of substantial resources. Furthermore, there can be no assurance that the regulators will not require modification to any submissions which may result in delays or failure to obtain regulatory approvals. Any delay or failure to obtain regulatory approvals could adversely affect the ability of Hemostemix to utilize its technology, thereby adversely affecting operations. Further, there can be no assurance that Hemostemix diagnostic product candidates will achieve levels of sensitivity and specificity sufficient for regulatory approval or market acceptance, or that its therapeutic product candidates prove to be safe and effective in clinical trials, or receive the requisite regulatory approval. There is no assurance that Hemostemix will be able to timely and profitably produce its products while complying with all the applicable regulatory requirements. Foreign markets, other than the United States and Canada, impose similar restrictions.

Hazardous Materials and Environmental Matters

Certain of Hemostemix research and development processes may involve the controlled use of hazardous materials. Hemostemix is subject to federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although management of Hemostemix believes that its procedures for handling and disposing of such materials comply with the standards prescribed, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, Hemostemix could be held liable for damages and such liability could exceed the resources of Hemostemix. Hemostemix is not specifically insured with respect to this liability. Although management of Hemostemix believes that it currently complies in all material respects with applicable environmental laws and regulations, Hemostemix may be required to incur significant costs to comply with environmental laws and regulations in the future. Furthermore, there can be no assurance that the operations, business or assets of Hemostemix will not be materially adversely affected by current or future environmental laws or regulations.

Patents and Proprietary Technology

Hemostemix success will depend in part on its ability to obtain, maintain, and enforce patent rights, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that pending patent applications will be allowed, that Hemostemix will develop additional proprietary products that are patentable, that issued patents will provide Hemostemix with any competitive advantage or will not be challenged by any third parties, or that patents of others will not have an adverse effect on the ability of Hemostemix to do business.

Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Hemostemix products, or design around the products patented by Hemostemix. In addition, Hemostemix may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to Hemostemix. If Hemostemix does not obtain such licenses it could encounter delays in introducing one or more of its products to the market, while it attempts to design around such patents, or could find that the development, manufacturing or sale of products requiring such licenses could be foreclosed. In addition, Hemostemix could incur substantial costs in defending itself in suits brought against it on such patents or in suits where it attempts to enforce its own patents against other parties.

Until such time, if ever, that patent applications are filed, the ability of Hemostemix to maintain the confidentiality of its technology may be crucial to its ultimate possible commercial success. While Hemostemix has adopted procedures designed to protect the confidentiality of its technology, no assurance can be given that such arrangements will be effective, that third parties will not gain access to Hemostemix trade secrets or disclose the technology, or that Hemostemix can meaningfully protect its rights to its trade secrets.

Dependence on Collaborative Partners, Licensors and Others

Hemostemix activities will require it to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its products. Hemostemix intends to attract corporate partners and enter into additional research collaborations. There can be no assurance, however, that Hemostemix will be able to establish such additional collaborations on favorable terms, if at all, or that its current or future collaborations will be successful. Failure to attract commercial partners for its products may result in Hemostemix incurring substantial clinical testing, manufacturing and commercialization costs prior to realizing any revenue from product sales or result in delays or program discontinuance if funds are not available in sufficient quantities.

If any collaborative partner fails to develop, manufacture, or commercialize successfully any product to which it has rights, or any partner's product to which Hemostemix will have rights, Hemostemix business may be adversely affected. Failure of a collaborative partner to continue to participate in any particular program could delay or halt the development or commercialization of products generated from such program. In addition, there can be no assurance that the collaborative partners will not pursue other technologies or develop alternative products either alone or in collaboration with others, including Hemostemix competitors, as a means for developing treatments for the diseases targeted by Hemostemix programs.

Furthermore, Hemostemix will hold licenses for certain technologies and there can be no assurance that these licenses will not be terminated, or that they will be renewed on conditions acceptable to Hemostemix. Hemostemix intends to negotiate additional licenses in respect of technologies developed by other companies and academic institutions. Terms of license agreements to be negotiated may include, inter alia, a requirement to make milestone payments, which may be substantial. Hemostemix will also be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and, in some instances, may be responsible for the costs of filing and prosecuting patent applications. Should any of Hemostemix licensees breach their regulatory, clinical, operational or legal requirements this may impact Hemostemix reputation and/or ability to conduct its business or make progress as anticipated.

Rapid Technological Change

The biotechnology and pharmaceutical industries are characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render Hemostemix proposed products or technologies noncompetitive, or that Hemostemix will keep pace with technological developments. Competitors have developed or are developing technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the desired diagnostic or therapeutic effect as compared with products to be developed by Hemostemix, and could be more effective and less costly than the products to be developed by Hemostemix. In addition, alternative forms of medical treatment may be competitive with Hemostemix products.

Competition

Technological competition from pharmaceutical companies, biopharmaceutical companies and universities is intense and is expected to increase. Potential competitors of Hemostemix have or may develop product development capabilities or financial, scientific, marketing and human resources exceeding those of Hemostemix. Competitors may develop products before Hemostemix develops its own products, obtain regulatory approval for such products more rapidly than Hemostemix, or develop products which are more effective than those which Hemostemix intends to develop. Research and development by others may render Hemostemix proposed technology or products obsolete or non-competitive or produce treatments or cures superior to any therapy developed or to be developed by Hemostemix, or otherwise preferred to any therapy developed by Hemostemix.

Status of Healthcare Reimbursement

Hemostemix 's ability to successfully market certain diagnostic or therapeutic products may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Significant uncertainty exists as to whether newly approved healthcare products will qualify for reimbursement. Furthermore, challenges to the price of medical products and services are becoming more frequent. There can be no assurance that adequate third-party coverage will be available to establish price levels, which would allow Hemostemix to realize an acceptable return on its investment in product development.

Potential Product Liability

Pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. Product liability insurance is costly; availability is limited and may not be available on terms which would be acceptable to Hemostemix, if at all. An inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Hemostemix 's products. A product liability claim brought against Hemostemix, or withdrawal of a product from the market, could have a material adverse effect upon Hemostemix and its financial condition.

Manufacturing

Hemostemix product manufacturing is currently done at a single facility without secondary backup. Hemostemix ability to conduct its clinical trial depends on its uninterrupted ability to manufacture product and ship product in and out of its facility location.

Reliance on Key Personnel

Hemostemix is dependent on certain members of its management and scientific staff as well as consultants and contractors, the loss of services of one or more of whom could adversely affect Hemostemix. In addition, Hemostemix's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees. There can be no assurance that Hemostemix will be able to successfully attract and retain skilled and experienced personnel.

Lack of Product Revenues and History of Losses

To date, Hemostemix has not recorded any revenues from the sale of biopharmaceutical products. Hemostemix expects to incur additional losses during the periods of research and development, clinical testing, and application for regulatory approval of its product candidates. Hemostemix expects to incur losses unless and until such time as payments from corporate collaborations, product sales and/or royalty payments generate sufficient revenues to fund its continuing operations.

Volatility of Share Price, Absence of Dividends and Fluctuation of Operating Results

Market prices for the securities of biotechnology companies, including Hemostemix, have historically been highly volatile. Factors such as fluctuation of Hemostemix operating results, announcements of technological innovations, patents or new commercial products by Hemostemix or competitors, results of clinical testing, regulatory actions, or public concern over the safety of biopharmaceutical products and other factors could have a significant effect on the share price or trading volumes for the common shares. Hemostemix Shares, if traded publically, may be subject to significant price and volume fluctuations and may continue to be subject to significant price and volume fluctuations in the future. Hemostemix has not paid dividends to date and does not expect to pay dividends in the foreseeable future.

Conflict of Interest

Certain of the directors and senior officers of Hemostemix may, from time to time, be employed by or affiliated with organizations which have entered into agreements with Hemostemix. As disputes may arise between these organizations and Hemostemix, or certain of these organizations may undertake or have undertaken research with competitors of Hemostemix, there exists the possibility for such persons to be in a position of conflict. Any decision or recommendation made by these persons involving Hemostemix will be made in accordance with his or her duties and obligations to deal fairly and in good faith with Hemostemix and such other organizations. In addition, as applicable, such directors and officers will refrain from voting on any matter in which they have a conflict of interest.

No Key Man Insurance

The Company does not currently have key man insurance in place in respect of any of its senior officers or personnel.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company's main focus is to develop autologous, blood-derived cell therapies primarily for the treatment of severe medical conditions not adequately addressed by current treatments. The Company is currently conducting a Phase 2 clinical trial in patients with critical limb ischemia.

To achieve commercialization of its products, the Company must obtain regulatory approval in each respective jurisdiction it intends to market its products. Management of Hemostemix believes it may be possible to achieve this in certain jurisdictions on the basis of positive phase 2 clinical trial data, but in most jurisdictions additional clinical data from larger clinical trials will be required to obtain such approval.

Hemostemix does not currently distribute any commercial products or provide any commercial services in any markets. Future revenues should come through royalty payments from partnering, or through direct commercialization of its products.