Hemostemix Inc.

Interim Condensed Consolidated Financial Statements

Second Quarter Ended June 30, 2016

(Expressed in Canadian Dollars)
(Unaudited)

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For the three and six months ended June 30, 2016 and 2015
Unaudited

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

		June 30, 2016		December 31, 2015
Assets				
Current				
Cash and cash equivalents	**$**	**127,267**	$	506,581
HST receivable		**19,596**		18,912
Other receivables and prepaid expenses *(note 4)*		**12,230**		79,696
		159,093		605,189
Other receivables and prepaid expenses - non-current *(note 4)*		**49,959**		52,757
Equipment, net *(note 5)*		**121,127**		138,861
Intangible assets, net *(note 6)*		**1**		1
	$	**330,180**	$	796,808
Liabilities				
Current				
Accounts payable and accrued expenses *(notes 7 and 13)*	**$**	**996,892**	$	615,532
Income taxes payable		**12,607**		7,197
Notes payable *(note 8)*		**460,000**		-
		1,469,499		622,729
Equity (Deficiency)				
Share capital *(note 9)*		**21,971,921**		21,952,821
Contributed surplus *(note 11)*		**908,757**		907,857
Deficit		**(24,019,997)**		(22,696,599)
		(1,139,319)		174,970
	$	**330,180**	$	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: ***"Vic Redekop"***
Director

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

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
for the three and six months ended June 30, 2016 and 2015
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months June 30 2016	Three Months June 30 2015	**Six Months June 30 2016**	Six Months June 30 2015
Expenses				
Research and development salaries and related benefits	**$ 186,819**	$ 155,025	**$ 378,452**	$ 320,380
Research and development consulting fees *(note 4)*	**37,988**	140,442	**71,420**	394,247
Research and development Expenses	-	40,621	-	40,621
Consultant fees	**201,705**	287,359	**398,404**	501,264
Lease and office maintenance	**58,968**	131,544	**171,322**	243,729
Professional fees	**119,625**	152,044	**221,354**	261,201
Travel expenses	**12,770**	42,542	**30,325**	55.479
Depreciation *(note 5)*	**9,722**	8,777	**19,266**	17,777
Foreign exchange loss (gain)	**2,605**	(7,108)	**19,549**	(3,430)
Finance expenses	**543**	990	**1,655**	2,382
Net loss and comprehensive loss for the period before income tax expense	**(630,745)**	(952,236)	**(1,311,747)**	(1,833,650)
Income tax expense	**6,017**	5,142	**11,651**	12,616
Net loss and comprehensive loss for the period	**$ (636,762)**	**$ (957,378)**	**$ (1,323,398)**	$ (1,846,266)
Loss per share – basic and diluted	**$ (0.01)**	**$ (0.02)**	**$ (0.02)**	$ (0.03)
Weighted average number of common shares outstanding - Basic and diluted	**67,154,786**	**65,565,564**	**67,125,988**	65,441,166

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

Interim Condensed Consolidated Statements of Changes in Equity
June 30, 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	350,000	66,850	(31,850)	-	35,000
Exercise of warrants	108,280	54,140	-	-	54,140
Net loss and comprehensive loss for the period	-	-	-	(1,846,266)	(1,846,266)
Balance, June 30, 2015	65,637,119	21,261,075	929,232	(20,557,797)	1,632,510
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	125,000	23,875	(11,375)	-	12,500
Exercise of warrants	40,000	20,000	-	-	20,000
Net loss and comprehensive loss for the period	-	-	-	(2,138,802)	(2,138,802)
Balance, December 31, 2015	67,098,119	21,952,821	917,857	(22,696,599)	174,079
Exercise of share options	100,000	19,100	(9,100)	-	10,000
Net loss and comprehensive loss for the period	-	-	-	(1,323,398)	(1,323,398)
Balance, June 30, 2016	**67,198,119**	**$ 21,971,921**	**$ 908,757**	**$ (24,019,997)**	**$ (1,139,319)**

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

Interim Condensed Consolidated Statements of Cash Flows
for the three and six months ended June 30, 2016 and 2015
(Expressed in Canadian Dollars)
(Unaudited)

	2016	2015
Cash flow from operating activities		
Net loss for the period	**$ (1,323,398)**	$ (1,846,266)
Items not affecting cash:		
Depreciation of equipment	**19,266**	17,777
Non-cash working capital items:		
Other receivables and prepaid expenses	**70,264**	(75,801)
HST receivable	**(684)**	223,158
Accounts payable and accrued expenses	**381,360**	62,723
Income taxes payable	**5,410**	(18,866)
	(847,782)	(1,637,275)
Cash flow from investing activity		
Purchase of equipment	**(1,532)**	(10,161)
Cash flow from financing activities		
Proceeds from issuance of notes payable	**460,000**	-
Exercise of share options	**10,000**	35,000
Exercise of warrants	**-**	54,140
	470,000	89,140
Decrease in cash and cash equivalents	**(379,314)**	(1,558,296)
Cash and cash equivalents, beginning of period	**506,581**	3,305,487
Cash and cash equivalents, end of period	**$ 127,267**	$ 1,747,191

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 $1,323,398 during the six months ended June 30, 2016 (2015 - $1,846,266) and had an accumulated deficit as of June 30, 2016 of $24,019,997 (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 June 30, 2016 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. *[see note 14]*

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on August 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.

(Expressed in Canadian dollars)

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.

4. Other Receivables and Prepaid Expenses

	June 30, 2016	December 31, 2015
V.A.T. receivable	**$ 5,098**	$ 12,449
Prepaid insurance, rent and security deposit	**57,091**	100,350
Prepaid research and development expenses	**-**	19,654
	62,189	132,453
Less: long-term portion of security deposit	**49,959**	52,757
	$ 12,230	$ 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 is to be allocated over the 30 month span of the trial as the expenses are incurred. As at June 30, 2016, the Company has paid Criterium US$1,368,220 (CAD$1,893,617). Of the initial payment, US$150,000

(Expressed in Canadian dollars)

(CAD$193,500) was required as a deposit for clinical research activities that is maintained and replenished as costs are incurred by Criterium. At June 30, 2016 the deposit has been reduced to Nil resulting in a net balance payable to Criterium of US$13,814 (CAD$17,820).

On June 28, 2016, Criterium notified the Company that it has terminated the agreement and as a result has placed a temporary hold on enrollment for its phase 2 clinical trials in Canada and South Africa. *[see note 12]*

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	1,532	-	1,532
As at June 30, 2016	**$ 36,389**	**$ 227,562**	**$ 263,951**
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	1,441	17,825	19,266
As at June 30, 2016	**$ 13,820**	**$ 129,004**	**$ 142,824**
Net book value			
As at December 31, 2015	$ 22,478	$ 116,383	$ 138,861
As at June 30, 2016	**$ 22,569**	**$ 98,558**	**$ 121,127**

Notes to Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

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

		June 30, 2016		December 31, 2015
Accounts payable	**$**	**698,623**	$	409,678
Employee and payroll accruals		**197,477**		75,388
Accrued expenses		**100,792**		130,466
	$	**996,892**	$	615,532

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8. Notes Payable

	June 30, 2016	December 31, 2015
Non-interest bearing promissory notes, unsecured and payable on demand	$ **460,000**	$ -

During the six months ended June 30, 2016 the Company received total proceeds of $460,000 in form of promissory notes from directors and shareholders for working capital purposes. *[see notes 13 and 14]*

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, June 30, 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	**67,098,119**	**$ 21,952,821**
Share options exercised (vi)	100,000	19,100
Balance, June 30, 2016	**67,198,119**	**$ 21,971,921**

9. Share Capital - continued

(i) During the period ended June 30, 2016, 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 June 30, 2016, 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 10]*

(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 at 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. *[see note 10]*

(vi) During the period ended June 30, 2016, 100,000 share options were exercised at a price of $0.10 a share for proceeds of $10,000. An amount of $9,100 representing the fair value of the options exercised was transferred from contributed surplus to share capital.

(Expressed in Canadian dollars)

10. Warrants

A summary of the status of the Company's warrants as at June 30, 2016 and December 31, 2015 is as follows:

	June 30 , 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 six months ended June 30, 2016.

The exercise price and expiry date of warrants outstanding as at June 30, 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

	June 30, 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	**(100,000)**	**(0.10)**	(475,000)	(0.10)
Balance, end of period	**5,205,000**	**0.11**	5,305,000	0.11

Number of Options #	**Exercise Price** $	**Weighted average remaining life** [years]
5,105,000	0.10	2.07
100,000	0.50	1.47
5,205,000		**2.06**

During 2015, 475,000 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.

During the six months ended June 30, 2016 100,000 share options were exercised at a price of $0.10 a share for proceeds of $10,000. An amount of $9,100 representing the fair value of the options exercised was transferred from contributed surplus to share capital.

(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	$ 70,448
2017	105,672
	$ 176,120

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 June 30, 2016 the Company has paid US$1,368,220 (CAD$1,893,617).

On June 28, 2016, Criterium notified the Company that it has terminated the agreement. As a result, Hemostemix is placing a temporary hold on enrollment for its phase 2 clinical trials in Canada and South Africa. With the termination of this agreement, Criterium will no longer be providing any services for the Hemostemix phase 2 clinical trials, including, any further monitoring visits. The Company is evaluating its options as to how it will continue with the clinical trials and to ensure patient follow up and has made a decision to temporarily cease enrolling any new patients into the trial.

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 June 30, 2016, the definitive agreement has not yet been completed and the ownership interest in HEMA has not been transferred. Subsequent to the end of the period the Hemostemix announced it has voided the agreement (see Note 14 – Subsequent Events).

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 $198,967 in consulting fees to a director and officer and another officer of the Company during the six months ended June 30, 2016 (June 30, 2015 - $212,106, to a director and officer and two officers of the Company). As at June 30, 2016, the Company has $176,401 in accounts payable and accrued liabilities owing to these directors and officers (December 31, 2015 - $68,260).

Proceeds from directors and shareholders in the form of promissory notes payable issued during the six months ended June 30, 2016 amounted to $460,000. (2015 – Nil) *[see note 8]*

14. Subsequent events

1. Subsequent to June 30, 2016 the Company received proceeds of $1,150,000 through the issuance of additional promissory notes bringing total notes payable to $1,610,000. *[See note 8]*.

2. On August 12, 2016, the Company announced it is amending the terms of the private placement offering of units announced on April 20, 2016 and instead will complete a non-brokered private placement consisting of a combination of convertible senior secured debentures and unsecured promissory notes for gross proceeds of $1,610,000.

   Total notes payable of $1,610,000 are expected to be converted into a $1,000,000 convertible senior secured debenture from an arm's length party and $610,000 of unsecured promissory notes from various related parties including $430,000 advanced from insiders of the Company. The Notes are unsecured, bear no interest, and are repayable with no penalty on or before the date which is 12 months from the date of issuance.

The Secured Debenture will be secured by a general security agreement over all of the Company's assets, have a term of three years, bear no interest, and shall be convertible at the option of the holder into units of the Company at a conversion price of $0.16 per Unit. Each Unit shall consist of one common share and one warrant, with each whole warrant entitling the holder to acquire one additional common share at an exercise price of $0.30 within 36 months from the date of issue. The Company may prepay the Secured Debenture, in whole or in part, at any time without penalty.

The Offering remains subject to the approval of the TSX Venture Exchange and all securities issued under the Offering shall be subject to a four month hold period from the date of issue.

3. On August 29, 2016 the Company announced that it has voided a strategic alliance agreement with Hemostemix Asia, Inc. ("HEMA"), a private, independent company based in Taipei, Taiwan.

   The agreement covered a manufacturing and commercial license of the Hemostemix ACP-01 technology to HEMA for treating critical limb ischemia (CLI) patients in Taiwan, China, and South Korea. According to the agreement, HEMA was supposed to raise US$5 million toward the implementation of their business plan 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. The agreement further designated Hemostemix as an equity partner with 35% ownership in HEMA. These obligations where not met as required. The Company's progress and commercial viability is not at all dependent, on its agreement with HEMA. *(Hemostemix Inc. and Hemostemix Asia, Inc. are separate, unrelated, independent companies even though they have similar names.)*