Hemostemix Inc.

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

For the years ended December 31, 2018 and 2017 as at April 30, 2019

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Hemostemix Inc. (the "Company", "HEMOSTEMIX", "we", "us" or "our") for the years ended December 31, 2018 and 2017. It is intended to help readers better understand the 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 consolidated financial statements of the Company for the years ended December 31, 2018 and December 31, 2017 and the accompanying notes which have been prepared under International Financial Reporting Standards ("IFRS"). The audited annual consolidated financial statements have been reviewed by the Audit Committee of the Company and have been approved by its Board of Directors on April 30, 2019. Additional information relating to the Company is available on SEDAR at www.sedar.com as well as the Company's website at www.hemostemix.com.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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:

- Belief that the Company will be successful in raising additional capital to continue as a going concern
- belief that its products and research and development efforts are targeting diseases and conditions with significant unmet medical treatment needs;
- the Company's goal of creating shareholder value;
- its ability to meet its operating costs for the fiscal year ended December 31, 2019;
- the Company's belief that ACP-01 has advantages over current treatments for critical limb

ischemia;

- the Company's belief that the ACP-01 technology process can be commercialized more effectively than other technologies;
- 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;
- belief that the Company's prior ACP-01 trial data will be sufficient to support regulatory submissions and approvals for a additional indications, such as congestive heart failure;
- management's outlook regarding future trends;
- expectations regarding the completion of its current clinical trial for CLI, including the patient enrollment numbers anticipated number of trial sites and timing of interim analysis;
- expectations regarding the performance of critical suppliers and service providers, including its CRO;
- expectations for additional commercialization partners;
- plans and objectives of management for future operations;
- general business and economic conditions and outlook.

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company, including information obtained from third-party industry analysts and other third-party sources. In some instances, material assumptions and factors are presented or discussed elsewhere in this MD&A in connection with the statements or disclosure containing the forward-looking information. You are cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to, assumptions that there be no:

- unforeseen changes in the legislative and operating framework for the business of the Company;
- unstable competitive environment; and
- significant events occurring outside the ordinary course of business such as a natural disaster or other calamity.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors including the risks set out in the section entitled "Risks and Uncertainties" below, which may cause the Company's or its industry's actual results, levels of activity, performance and achievements to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to the following risks:

- the successful and timely completion of research and development initiatives;
- the effects of government regulation on the Company's business;
- the development of superior technology by the Company's competitors;

- the failure of consumers and the medical community to accept the Company's technology as safe and effective;
- risks associated with the performance of commercial partners and critical suppliers and service providers;
- risks associated with the Company's ability to obtain and protect rights to its intellectual property;
- risks associated with the Company's ability to raise additional capital;
- other factors beyond the Company's control.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity or performance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of such factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

THE COMPANY

Hemostemix Inc. ("Hemostemix" or "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., an entity under the Business Corporations Act (Alberta) was formed in November 2014. On November 27, 2014, shares of the Company began trading on the TSX Venture Exchange under the symbol "HEM". In October 2018 the Company was approved for up-listing its common shares for trading on the OTCQB Venture Market, a US trading platform that is operated by the OTC Markets Group in New York. Our shares can now traded on the OTCQB under symbol "HMTXF". The Company's head office is located at 2150, 300 – 5 Ave SW. Calgary, AB T2P 3C4.

The consolidated financial statements of the Company comprise the accounts of Hemostemix Inc., Hemostemix Ltd, and Kwalata Trading Limited, the Company's wholly-owned subsidiaries. Kwalata Trading Limited ("Kwalata"), incorporated under the laws of Cyprus, was established to own intellectual property ("IP"). On October 1, 2018 management sold the IP from Kwalata to Hemostemix and began the planning process to wind up Kwalata (see "Discontinued Operations"). Hemostemix Ltd. another wholly-owned subsidiary was incorporated under the laws of Israel to conduct manufacturing and perform research and development. Effective October 1, 2017, Hemostemix Ltd. ceased operations (see "Discontinued Operations").

BUSINESS OVERVIEW

We are a clinical stage biotechnology company with patented technology whose principal business is to develop, manufacture and commercialize blood-derived cell therapies to treat various diseases not adequately addressed by current therapies. 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), myocardial cell precursors (MCPs), and neural cell precursors (NCPs).

CORPORATE, PRODUCT AND CLINICAL TRIAL UPDATES

The following items highlight the Company's activities during the year ended December 31, 2018 and any subsequent development up until the date hereof.

Corporate Update

Management & Scientific Leadership

Effective May 1, 2018 the transition of the Chief Financial Officer ("CFO") role, as previously announced, was complete with the appointment of Kristin Gulka, CPA, CA. The previous CFO, Mr. David Berman, continued to provide services on an as needed basis for the Company on a consultancy basis until the end of the third quarter.

Near the end of the third quarter Catherine St. George, B.S., Certified Clinical Research Professional ("CCRP") joined the Company as a Clinical Trial Manager. Ms. St. George has over 20 years of clinical research experience in phase II and III drug and device trials. the fourth quarter, Ms. Christy Pifer resigned from her position as a Clinical Trial Manager.

In April 2019, Dr. Alan J. Jacobs, M.S.EE, M.D, Ph.D was appointed the Company's President and Chief Medical Officer. Dr. Alan Jacobs brings over 20 years of experience leading multi-international teams in the research and development of therapeutics and medical devices. He has been involved in multiple clinical trials where products have been subsequently approved by the FDA. Dr. Jacobs takes over the role of President from Kyle Makofka who remains as the Company's Chief Executive Officer. Subsequent to the end of the year, Dr. Ravi Jain resigned from the position of Chief Scientific Officer of the Company. Dr. Jacobs will be responsible for the overall management and coordination of the scientific and research operations of the Company surrounding the angiogenic cell precursor (ACP-01) and neuronal cell precursor (NCP) products, oversight of the Company's current Phase II clinical trial for critical limb ischemia ("CLI"), preparation of the Phase III trial CLI, IND submissions for additional clinical indications, as well as identifying new therapeutic opportunities for the Company.

The Company entered into a new management contractor agreement with Kingsman Scientific Management Inc. ("KSM"), dated April 18, 2019 with an effective date of January 1, 2019. KSM is majority owned by Kyle Makofka, the current CEO of the Company. Pursuant to this agreement, KSM will oversee and manage all aspects of the operations and management of Hemostemix, including the Company's current clinical trial, as well as assist in identifying additional appointments to the Company's Board of Directors and management team.

The agreement has a term of one year with an option for an additional one-year renewal period. KSM will be compensated based on a fixed fee for key management personnel costs, support services, accounting and office rental and cost plus 15% for clinical trial operations as well as be entitled to bonuses should it achieve costs savings for the current Phase II clinical trial for critical limb ischemia. In addition, KSM will be granted stock options to acquire common shares in the capital of the Company to be granted in an amount equivalent to up to five percent (5%) of the Company's total issued and outstanding common shares.

Scientific Advisory Board

During the second quarter we formalized our Scientific Advisory Board ("SAB"). The members of our SAB are all leaders in their fields of expertise, which span biochemistry, molecular biology, genomics and medicine. The SAB members include: Dr. Alan Lumsden, M.D., Dr. Norman Wong, M.D. and Dr. Kumar L. Hari, PhD.

Dr. Alan B. Lumsden, M.D., is the Walter W. Fondren III Chair, Medical Director of the Houston Methodist DeBakey Heart & Vascular Center and chair of the Department of Cardiovascular Surgery at Houston Methodist Hospital.

Dr. Norman Wong, B.Sc (Hon), M.Sc, M.D., FRCP(C) is a Co-Founder of Resverlogix Corp. (TSX:RVX), and has been its Chief Scientific Officer since 2003. Dr. Wong serves as Professor of Medicine and Biochemistry & Molecular Biology as well as the Director of the Libin Gene/Cell Therapy Unit within the Faculty of Medicine at the University of Calgary.

Dr. Kumar L. Hari, PhD has been the Chief Science Officer at cBio Corp. ("cBio"), a private company that provided infectious disease diagnostics and tracking. Dr. Hari has been a director of program management efforts at the California Institute of Regenerative Medicine and at the Myelin Repair Foundation.

The mandate of the Scientific Advisory Board is to serve as a strategic resource for Hemostemix to advise on research and development initiatives surrounding its stem cell technology product pipeline and the furtherance of Hemostemix's clinical pipeline and support the Company's overall mission.

OTCQB Listing and DTC Eligibility

In October 2018 the Company was approved for up-listing its common shares for trading on the OTCQB

Venture Market, a US trading platform that is operated by the OTC Markets Group in New York. Our shares can be traded on the OTCQB under symbol "HMTXF" and the Company's common shares will continue to trade on the TSX Venture Exchange under the symbol "HEM". In addition, we secured DTC eligibility by The Depository Trust Company ("DTC") for electronic settlement and transfer of our common shares in the United States.

The OTCQB is a marketplace for entrepreneurial and development stage US and international companies. The ability to have the Company's shares electronically transferred between brokerages in the US is more convenient and reduces the costs incurred in trading shares. When shares are able to trade electronically, existing investors benefit from greater liquidity and execution speeds, while opening the door to new investors that may have been previously been restricted from the Company's shares.

Product Update

Angiogenic Cellular Precursor (ACP-01)

Our main product, called ACP-01, is created from a process we discovered and developed whereby a patient's own blood is drawn, and stem cells from the blood draw are raised and expanded, then reinjected into the patient's diseased tissue. The cornerstone of this autologous technology is a novel cell population within the blood called the synergetic cell population ("SCP"). The synergetic cell population, which can be collected from a simple blood draw, consists of progenitor and other supporting cells that are being developed for the treatment of ischemic diseases. This results in an enhanced stem cell therapy treatment that restores circulation to tissues damaged by disease. Our process for harvesting stem cells is less invasive than some other stem cell therapies on the market as the stem cells are taken from a patient's blood which is a simple process as compared to taking stem cells from fatty tissue or bone marrow. Hemostemix's proprietary technology includes methods for collecting the synergetic cell population and manufacturing (isolation, enrichment and differentiation) a personalized regenerative therapy that can be administered to a patient within seven days of the initial cell collection.

During the year, we worked on furthering our research and development ("R&D") initiatives, in relation to ACP-01. The research batches that have been run, indicated that the ACP-01 technology process can also support an allogeneic process, meaning cells from one donor may be used in many different recipients, with the batches meeting specific release criteria, such as minimum dose requirements. Further research will be required to confirm safety and efficacy of this process. The current ACP-01 process uses an autologous process which uses a patients' own peripheral blood which the Company processes into its cell based therapies for reinjection back into the patient. Although an autologous process is beneficial in that there are no treatment rejection issues, often the patient population is very ill with co-morbidities (the simultaneous presence of two or more chronic diseases or conditions in a patient), that results in a poor blood sample for processing, which is not generally the case with healthy third party donor blood. Our research has determined the ability to take a blood sample from a young healthy donor, blood-type match it to a patient and process the donor sample to produce a strong ACP-01 population which can be used to treat the ill patient. Having the ability to use an allogeneic process and use blood from other donors to

create its treatment products is important as it would allow the Company to create an "off the shelf" product, increasing the number of patients that could be treated with the Company's therapy and expanding the commercialization potential of its technology platform.

As with the autologous process, the allogeneic process would be based on cells taken from peripheral blood, which is taken from a simple blood draw, not from bone marrow, adipose tissue or cord blood. We intend to obtain approval from the US FDA and Health Canada by doing a safety trial or adding an allogeneic safety arm to the ongoing Phase II clinical trial for critical limb ischemia. Once the application to regulatory agencies is approved, Hemostemix would then be able to treat patients autologously and allogeneically. We believe having an allogeneic product will also allow the Company to more easily work towards partially or completely automating the ACP-01 cell processing protocols.

In addition to the R&D work done on the allogeneic process for ACP-01, we have succeeded in refining our method of manufacturing protocols resulting in an approximate 40% reduction in manufacturing time for ACP-01. Currently, manufacturing time takes five (5) days, however, our R&D has proven it can be reduced to three (3) days. We intend to obtain approval from the US FDA and Health Canada to be able to use the refined manufacturing process. We believe this is of significant importance, as once approved for use, it will not only reduce future manufacturing costs for all of our products, but will result in an approximate 67% increase in the amount of product treatments that can be manufactured with its existing contracted manufacturing facility infrastructure.
Currently ACP-01 is being used in our Phase II Clinical Trial for Critical Limb Ischemia (CLI). However, we believe that further research will show that ACP-01 will have applications in the treatment of other diseases and indications such as cardiovascular disease, peripheral arterial disease, angina pectoris, acute myocardial infraction and others.

Neural Cellular Precursor (NCP-01)

We also recently initiated an R&D program for generation of NCP-01 (Neural Cellular Precursors) from peripheral blood. The Company's R&D will focus on showing that NCP-01 is a product candidate that has the potential to treat such indications as amyotrophic lateral sclerosis ("ALS"), spinal cord injuries, Parkinson's disease and Alzheimer's disease through building new neuronal lineage cells in a patient. The NCP-01 product involves a lengthier therapy development process, however the Company believes this is an important market with significant unmet medical treatment needs.

Bone Cellular Precursor (BCP-01)

We have performed preliminary R&D work for BCP-01 (Bone Cellular Precursors) from peripheral blood. In 2019, we did limited work on BCP-01, as we focused our efforts on the current clinical trial for our lead product ACP-01 and initiating R&D on NCP-01. Future R&D on BCP-01 will focus on showing that BCP-01 is a product candidate that has the potential to treat indications such as bone fractures, skeletal breaks and surgical procedures.

Intellectual Property

Our proprietary technology is based on more than 10 years of clinical data demonstrating the ability of our autologous cell product to regenerate diseased and damaged tissue, which has the potential to generate therapies for a broad range of ischemic diseases such as critical limb ischemia, peripheral artery disease, congestive heart failure and other vascular diseases. Hemostemix develops its cell therapy products from a patient's own blood which is a relatively low risk, cost effective and non-invasive source of therapeutic cells. Hemostemix is conducting a Phase II clinical trial for its lead product ACP-01 for treating critical limb ischemia ("CLI").

In the second quarter, the Company was granted a new patent in the European Union (the "EU") for its patent entitled "Regulating Stem Cells". This patent has previously been granted in Canada and the United States, and having this patent awarded in the EU provides validation in multiple countries.

The Company continues to monitor its patent portfolio with the goal of protecting and expanding its Intellectual Property. We feel that our recent R&D work together with our recent manufacturing optimization will lead to furthering our already strong intellectual property portfolio. The Company has over 50 patents and patent applications in more than 25 jurisdictions.

Clinical Trial Updates

Phase II Clinical Trial for Patients with Critical Limb Ischemia

Critical limb ischemia ("CLI") is a severe blockage in the arteries of the lower extremities, which markedly reduces blood-flow. It is a serious form of peripheral arterial disease ("PAD"). PAD is caused by atherosclerosis, the hardening and narrowing of the arteries over time due to the buildup of fatty deposits called plaque. CLI is a chronic condition that results in severe pain in the feet or toes due to nerve and tissue damage. Complications of poor circulation can include sores and wounds that won't heal in the legs and feet. Left untreated, the complications of CLI may result in the amputation of the affected limb.

Most patients with CLI are treated surgically and depending on the severity, the surgery can be minimally invasive (angioplasty or stents) to very invasive (bypass surgery, grafts or amputation). Our therapy provides an alternative to surgery, which we believe is safer and more cost effective as no lengthy hospital stay or recovery time is needed.

The clinical trial is a randomized, placebo-controlled, double blind Phase II clinical trial to confirm the safety and efficacy of ACP-01. Under the current USA Food and Drug Administration ("FDA") and Health Canada approved protocol approximately 95 patients will be followed for a minimum period of six months and a maximum of twelve months.

In the third quarter of 2017, amendments to the approved clinical trial protocol were submitted to the FDA and Health Canada, which addressed the change in manufacturing sites (see "*Manufacturing Agreement"*) and updated various protocol procedures. In December 2017 the Company announced that

it received a No Objection Letter from Health Canada for the change in manufacturing site and protocol updates. The Company further announced on April 19, 2018 that the FDA raised no objections to the Company's Investigational New Drug ("IND") application.

During the year, the Company continued to actively identify and select qualified clinical trial sites in both Canada and the USA. To date over 25 facilities and institutions have been identified as having good potential to be sites for the clinical trial. The site onboarding process is rigorous with the Company reviewing equipment, facilities, principal investigators, the estimated number of potential patients as well as putting in place agreements, budgets, procedures and protocols. From the clinical trial site perspective there are internal approvals of the Company's clinical trial protocol, agreement, overall budget and general procedures and equipment requirements.

At the beginning of 2018, the Company began onboarding clinical trial sites and now has thirteen trial sites open for patient enrollment. Management feels that our growing trial site numbers are a strong indicator of the positive momentum that Hemostemix as a company, and its Phase II trial, are starting to gain. The thirteen trial sites open for patient enrollment, include:

1. Vancouver Coastal Health Research Institute ("VCHRI") located in Vancouver, BC
    - led by principal investigator, Dr. York N. Hsiang, MB ChB MHSc FRCSC
2. University of Florida Health ("UFH"), located in Gainesville, FL
    - led by principal investigator, Dr. Kristina Giles Magnifico, MD.
3. Clinical Research of Central Florida ("CRCF"), located in Winter Haven, FL
    - led by principal investigator, Dr. Cary Jake Lambert.
4. Clinovation Research ("Clinovation"), located in Weston, FL
    - led by principal investigator Dr. Francisco Perez-Clavijo.
5. Houston Methodist Hospital is located in Houston, TX
    - led by principal investigator Dr. Eric Peden, MD
6. Clinical Trials of Texas, Inc. ("CTT") is located in San Antonio, TX
    - led by principal investigator Dr. Boulos Toursarkissian, MD.
7. Presbyterian Medical Center Novant Health Heart and Vascular Institute ("Novant"), located in Charlotte, NC
    - led by principal investigator Dr. Amjad Almahameed, MD.
8. Temple University Hospital ("TUH"), which is part of the Temple University Health System ("TUHS") located in Philadelphia, PA
    - led by principal investigator Dr. Eric T. Choi, MD.
9. The Tibor Rubin VA Medical Center ("Tibor") located in Long Beach, CA
    - led by principal investigator Dr. Ian Gordon, MD, PhD.
10. Medical University South Carolina ("MUSC"), located in Charleston, SC
    - led by principal investigator Dr. Thomas Brothers, MD.
11. Decatur Memorial Hospital ("DMH") – Clinical Research Department, located in Decatur, IL
    - led by principal investigator Dr. Jeffrey Trachtenberg, MD.
12. Moses H. Cone Memorial Hospital, located in Greensboro, NC

- led by principal investigator Dr. Vance Brabham, MD.

13. UC Davis School of Medicine ("UC Davis"), located in Sacramento, CA
    - led by principal investigator Dr. Matthew Mell, MD.

To date, approximately thirty sites have been identified as quality sites for the clinical trial. Clinical trial agreements have been executed with thirteen clinical trial sites which are now open to patient enrollment. Additionally, there are fifteen clinical trial sites in the various stages of the review and start-up process.

It is anticipated that the trial will be conducted at approximately 20 sites located throughout Canada and the United States. Under the new trial protocol, the clinical trial sites have reported, to date, that eleven patients have been treated with either APC-01 or the placebo. Under the previous trial protocol (in 2016), there were two Canadian clinical trial sites that reported a total of thirteen patients treated; it is anticipated that the data obtained from most of these patients will be able to be used in the current trial. With the twenty patients treated under the current protocol and the thirteen patients treated previously, this brings our total treated patient count to thirty-three out of the approximately 95 patients needed. For final patient data to be included in the study, completion and review of follow-up appointments will be required post treatment.

Commercialization of ACP-01

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 believes it may be possible to achieve regulatory approval in a few jurisdictions on the strength of positive Phase II data, but in most jurisdictions, clinical data from a Phase III clinical trial will be required to obtain such approval. While focusing on developing ACP-01 through the clinical trial process in the United States and Canada, Hemostemix hopes to achieve commercialization alone or with partners in countries having a suitable regulatory framework.

Manufacturing Agreement

In 2017 management reviewed the manufacturing laboratory operations in Israel, where the Company had a leased manufacturing laboratory facility. After a review of the facility, operations, logistics and cost it was decided that a manufacturing laboratory closer to the clinical trial sites in North America would be more advantageous. In Q4 2017, management decided not to renew the lease on the Israeli manufacturing laboratory and to wind down the Israel operations and move manufacturing to North America. It was also decided that a contract manufacturer would be retained to provide the laboratory manufacturing services.

After deciding to wind down the manufacturing and laboratory operations in Israel in late 2017, the Company signed a Manufacturing Agreement with Aspire Health Science, LLC ("Aspire") in early 2018. Apsire owns an FDA cGMP ("Certified Good Manufacturing Practices") facility located in Orlando, Florida. We anticipated that having the product manufactured in Florida would result in improved cost efficiencies and better logistics for the North American clinical trial sites.

The Manufacturing Agreement has an initial one-year term with provisions to renew for additional six-month extensions. Prior to the end of the year, the Company provided notice to extend the Manufacturing Agreement for an additional six months (until July 31, 2019). Basic charges and pricing is fixed throughout the initial one-year term. In addition to ordinary contract manufacturing provisions, the Manufacturing Agreement will also provide Hemostemix with access to Aspire's laboratory and personnel for research and development ("R&D") purposes. Hemostemix will have dedicated work space in Aspire's Orlando lab facility throughout the term of the Manufacturing Agreement and the freedom to conduct R&D work there at its discretion so long as it does not interfere with Aspire's production schedules. Any and all improvements to the Company's pre-existing technology or otherwise related to ACP-01 made pursuant to the Manufacturing Agreement are to remain or become (upon discovery) the property of Hemostemix.

License Agreement

On February 23, 2018 the Company announced it finalized the terms of a license agreement (the "License Agreement") with Aspire Health Science, LLC ("Aspire") for ACP-01. Under the terms of the License Agreement, Aspire has the exclusive rights to use, sell and import ACP-01 in The Bahamas, Costa Rica, the Dominican Republic, Mexico, Panama and the State of Florida for the treatment of certain approved medical indications, namely Coronary Artery Disease ("CAD"), Peripheral Artery Disease ("PAD"), Critical Limb Ischemia ("CLI"), Congestive Heart Failure ("CHF") and such other indications as may be designated by Hemostemix from time to time. Aspire also has related rights to manufacture ACP-01 at its Orlando, Florida facilities for such purposes.

Hemostemix will receive a percentage of net sales from all revenue generated from ACP-01 in the assigned territories. The License Agreement has an initial three (3) year term, with options for Hemostemix to renew for additional two (2) year extensions. The License Agreement calls for the development of a business plan including minimum revenue targets. The failure to achieve the minimum revenue targets gives Hemostemix a consequential right to terminate the license(s) granted for an assigned territory or territories.

Hemostemix will continue to maintain control of all aspects of the product(s) subject to the License Agreement (including in particular ACP-01), manufacturing protocols, intellectual property rights, all improvements in the related technology, as well as the use of the technology and products in terms of specific applications.

Aspire is in late stages of negotiating terms with The Partners Stem Cell Centre ("PSCC") operating within The Medical Pavilion Bahamas ("TMPB"), based in Nassau, Bahamas, to complete a Phase I Open Trial, Non-Randomized, Single Center Study at their Nassau facility. A clinical trial for ACP-01 at the PSCC has been approved by the local Ministry of Health and will consist of twenty (20) heart patients and twenty (20) CLI patients for treatment under the same clinical trial protocol applicable to the Hemostemix Phase II clinical trial. In accordance with the License Agreement, Hemostemix will also receive all the pertinent data collected during this trial. It is anticipated that the data collected from the heart patients will be used

to build the necessary safety and efficacy data for ACP-01 that will allow the Company to expand into future clinical trials in Canada and the United States.

FINANCINGS

Non-Brokered Private Placement

On April 15, 2019 the Company announced that it intends to complete, subject to regulatory approval, a non-brokered private placement of up to a maximum of $6,000,000 principal amount of secured convertible debentures Each debenture will consist of $1,000 aggregate principal amount of 8% secured, non-transferable, convertible, redeemable debentures (the "Debentures"). The Debentures will mature twenty four (24) months from the date of the first closing (the "Maturity Date") and bear interest at a rate of 8% per annum. The principal amount of the Debentures is convertible into common shares of the Company ("Common Shares") at the option of the holder, at a price of $0.08 per Common Share in the first year after the date of issuance and at a price of $0.10 in the second year (as applicable, the "Conversion Price"), subject to TSX Venture Exchange ("TSXV") approval.

The Company may elect to force the conversion of the principal amount of the outstanding Debentures at the Conversion Price ("Mandatory Conversion"), on not more than 60 days' and not less than 30 days' notice, if the daily closing trading price of the common shares on the TSXV is greater than $0.20 for 20 consecutive trading days preceding such notice, subject to the Mandatory Conversion being permitted under the policies of the TSXV. The Debentures will be secured obligations of the Company. The Debentures may be redeemed by the Company, in whole or in part, plus any accrued and unpaid interest, at any time prior to the Maturity Date. Finders' fee may be payable in conjunction with the Offering at the election of the Company. The Debentures, and any common shares issuable upon conversion will be subject to a four month hold period from the date of closing.

Debt Conversion

On January 25, 2017, The Company converted $1,184,000 of debt through the issuance of 6,725,000 common shares of the Company. The debt conversions included (a) $644,000 in promissory notes converted at $0.16 per share resulting in the issuance of 4,025,000 shares, (b) $500,000 of demand loans at $0.20 per share resulting in the issuance of a further 2,500,000 shares, and (c) $40,000 owed pursuant to a Right of First Refusal Waiver Agreement resulting in a further issuance of 200,000 shares.

Capital Raise

In the third quarter of 2017, the Company completed a capital raising program consisting of (i) a Brokered Private Placement (supplemented by the Non-Brokered Private Placement); (ii) a Rights Offering (iii) a $4,400,000 secured credit transaction, and (iv) a series of shares for debt transactions (collectively, the "Financings").

On August 25, 2017, the Company raised gross proceeds of $5,144,140 from a Brokered Private Placement of subscription receipts ("Subscription Receipts") at a price of $0.05 per Subscription Receipt. The Company closed on the Brokered Private Placement together with a related Non-Brokered Private Placement of Subscription Receipts pursuant to which it raised additional gross proceeds of $163,445 and the Rights Offering which the Company raised gross proceeds of $1,063,751, for aggregate gross proceeds from the three sources of $6,371,336. The Company issued an aggregate of 127,426,715 Subscription Receipts, consisting of 102,882,800 pursuant to the Brokered Private Placement, 3,268,900 pursuant to the Non-Brokered Private Placement and 21,275,015 pursuant to the Rights Offering.

On September 15, 2017, all of the Subscription Receipts were converted into 127,426,715 units ("Units") consisting of 127,426,715 common shares in the capital of Hemostemix and 63,713,357 transferable warrants (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share (a "Warrant Share") at price of $0.20 for a period of 2 years from the Release Date, with an accelerated exercise provision attached to each Warrant commencing on the day following (i) the conversion of the applicable Subscription Receipts into Units and (ii) the expiry of any applicable hold period on the underlying common share, stating that if, for ten consecutive trading days, the closing price of the listed shares of the Company exceeds $1.00, then the Company may elect to accelerate the expiry date by providing the Warrant holders, 30 days' notice by way of a press release of the accelerated expiry date.

The Company also issued 88,000,000 Units at a price of $0.05 per Unit pursuant to the conversion of $4,400,000 of senior secured debt. Each Unit consisted of one common share and one half of one Warrant. The Company also completing a series of shares for debt transactions with certain of the Company's creditors by issuing a total of 6,664,886 common shares to such creditors in full satisfaction of a total of $366,991 in trade debts and other debts payable.

In connection with the Brokered Private Placement and the Rights Offering, the Company issued a total of 7,879,961 Agent Warrants. Each Agent Warrant entitles the Agent to acquire one Unit at an exercise price of $0.05 per Unit expiring 3 years from the date of issuance. Each Unit consists of one common share and one-half of one warrant ("Agent's Unit Warrant"). Each whole Agent's Unit Warrant is exercisable until September 15, 2019 at an exercise price of $0.20 per common share and is subject to an accelerated exercise provision attached to each commencing on the day following the expiry of any applicable hold period on the underlying common share, stating that if, for ten consecutive trading days, the closing price of the listed shares of the Company exceeds $1.00, then the Company may elect to accelerate the expiry date by providing the Agent's Unit Warrant holders, 30 days written notice together with the issue of a press release of the accelerated expiry date. On September 15, 2017, the Company granted stock options pursuant to a Management Agreement. 20,767,230 stock options were granted at an exercise price of $0.05 per share and exercisable for a period of five years from the date of grant. These stock options were granted pursuant to the Company's existing incentive stock option plan and as such be subject to the general terms of the Option Plan and all applicable policies of the TSX Venture Exchange, including without limitation those that provide for maximum issuances to single participants under the Option Plan in any 12-month period.

During the year ended December 31, 2018 a total of 4,022,890 Agent Warrants were exercised into 4,022,890 common shares and 2,011,444 Agent's Unit Warrants for total cash proceeds of $102,145, and a fair value amount of $91,383 was transferred from warrants to share capital. In addition, 1,000 warrants were exercised into 1,000 common shares for cash proceeds of $500.

OUTLOOK

We are currently focused on execution of the Phase II clinical trial for CLI, which includes the onboarding of clinical trial sites and the enrollment and treatment of patients. As the Phase II clinical trial for CLI progresses, management believes that an interim analysis will reinforce the safety record of the therapy, as shown in previous Phase I trials, and provide a clear view of the effectiveness of the therapy. Based on our current planning, it is anticipated the interim analysis can be conducted in the last half of 2019.

In addition to ACP-01 utility as a therapy for CLI, management believes that ACP-01 can be a safe and effective therapy for certain heart related damage. Over 300 heart patients have received the therapy in previous open trials and in compassionate care situations with promising curative effects for patients. Management is in the final stages of compiling data and reviewing information with the goal of making a pre-IND submission to the FDA for one or more specific heart conditions. If this review reveals promising efficacy, then the Company would like to make a submission for a clinical trial to the FDA in mid-2019.

In addition to the Licensing Agreement the Company announced in early 2018, the Company intends to seek other commercialization partners for its leading therapy and development partners for accelerating clinical development of novel therapies for significant and unmet medical needs.

Management has developed plans to continue research and development, including building on the improvements in the Autologous manufacturing process for ACP-01 and expanding the platform to include an Allogeneic manufacturing and treatment protocol as well. It is important to continue to research and develop therapeutic products to diversify the clinical pipeline and increase the potential value of the Company. The Company has other proprietary cell products and it will continue to advance these through its pipeline with research, development and non-human testing towards first use in humans. The Company's intellectual property broadly covers synergetic cell populations, myocardial cell precursors ("MCPs"), neural cell precursors "(NCPs"), and bone cell precursors ("BCPs"). Management has also developed specific plans to continue research and development to improve efficiency and reduce costs of the manufacturing process for ACP-01.

In order to continue the Phase II clinical trial for CLI and the planed research and development management will need to continue to source additional capital which could be dilutive to existing shareholders.

CONSOLIDATION AND PRESENTATION

Discontinued Operations

On October 1, 2018, management sold the IP from Kwalata to Hemostemix and began the planning process to wind up Kwalata. As at and for the year ended December 31, 2018 Kwalata had no assets, liabilities or net income.

On October 1, 2017 the Company ceased its operations in Israel and outsourced its clinical trial activities to a third-party manufacturer located in North America. The operating results of its activities in Israel have been presented as discontinued operations.

Functional and Presentation Currency

The 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 YEAR

The following table provides selected consolidated financial information for the Company as at and for the years ended December 31, 2018 and 2017.

	As at or for the Year Ended December 31, 2018 Total $	As at or for the Year Ended December 31, 2017 Total $
Total assets	**1,662,256**	5,302,489
Total liabilities	**1,174,456**	464,792
Total expenses from continuing operations	**(6,181,463)**	(3,510,992)
Net loss from continuing operations	**(6,181,463)**	(3,450,837)
Loss from discontinued operations, net of tax	**(6,222)**	(484,074)
Net loss and comprehensive loss	**(6,187,685)**	(3,934,911)
From continuing operations	**(0.02)**	(0.02)
From discontinued operations	**0.00**	0.00
Weighted average number of shares outstanding	**298,656,561**	139,538,260

Total Assets decreased year over year as a result of using cash raised in the financings that closed in September 2017 to fund our CLI phase II clinical trial, ongoing research and development and general and administrative expenses.

Total Liabilities increased year over year as a result of increased clinical trial activity resulting in increased costs and liabilities.

Net loss from continuing operations increased year over year as a result of increased activity relating to the costs of the Phase II CLI clinical trial. In order to support the Phase II clinical trial additional costs relating to research and development (such as our Contract Research Organization and our Contract Manufacturer), consulting fees, management fees and legal fees have been incurred. In addition, non-cash expenses such as stock compensation increased as a result of new grants.

Loss from discontinued operations, net of tax decreased in 2018 compared to 2017 as a result of the decision to discontinue operations in Israel on October 1, 2017 which included the decisions to not renew the manufacturing facility lease in Israel and to lay off the remaining staff. Fiscal 2018 includes minimal administrative expenses incurred in order to complete the wind up of the corporation.

RESULTS OF OPERATIONS

Comparison of Expenses from Continuing Operations - ANNUAL	**Year Ended December 31** (audited)			
	2018 $	2017 $	Increase (Decrease) $	Increase (Decrease) %
Research and development	**2,263,944**	60,262	2,203,682	3,657%
Consultant and management fees	**1,723,813**	850,193	873,620	103%
Stock compensation expense	**1,636,143**	454,261	1,181,882	260%
Lease and office maintenance	**199,339**	68,845	130,494	190%
Professional fees	**497,033**	1,294,009	(796,976)	(62%)
Travel	**102,827**	82,659	20,168	24%
Accretion expense	**-**	979,833	(979,833)	(100%)
Foreign exchange gain	**(218,171)**	(74,676)	143,495	192%
Interest expense (income)	**(23,465)**	158,987	(182,452)	(115%)
Loss on settlement of debt	**-**	411,944	(411,944)	(100%)
Change in fair value of derivative	**-**	(775,325)	775,325	100%
Net loss from continuing operations	**(6,181,463)**	(3,510,992)	(2,670,471)	76%

Expenses from continuing operations relate to the North American activities of the Company, excluding Israel operations.

Comparison of Expenses from Continuing Operations – Q4	**Three Months Ended December 31** (unaudited)			
	2018 $	2017 $	Increase (Decrease) $	Increase (Decrease) %
Research and development	**812,482**	60,262	752,220	1,248%
Consultant and management fees	**484,490**	152,253	332,237	218%
Stock compensation expense	**272,935**	360,347	(87,412)	(24%)
Lease and office maintenance	**55,521**	17,620	37,901	215%
Professional fees	**202,196**	158,164	44,032	28%
Travel	**33,142**	82,659	(49,517)	(60%)
Accretion expense	**-**	227,000	(227,000)	(100%)
Foreign exchange (gain) / loss	**(121,776)**	(18,975)	(102,801)	(542%)
Interest expense (income)	**(16)**	(10,977)	10,961	99%
Loss on settlement of debt	**-**	411,944	(411,944)	(100%)
Change in fair value of derivative	**-**	(538,125)	538,125	100%
Net loss from continuing operations	**(1,738,974)**	(902,172)	(836,802)	93%

Expenses from continuing operations relate to the North American activities of the Company, excluding Israel operations.

Analysis of expenses from Continuing Operations

Research and development expense is the cost for the Contract Research Organization ("CRO") which provides services to conduct the clinical trials and for the third party manufacturing laboratory which produces ACP-01 that is used in the clinical trials and provides continued research and development work. Costs for the year and three months ended December 31, 2018 were $2,263,944 and $812,482 compared to $60,262 for both the year and three months ended December 31, 2017. During the first nine months of 2017 there was a temporary postponement of our clinical trial while the Company evaluated various alternatives for continuing the clinical trial. In the fourth quarter of 2017, the Company resumed work on the clinical trial and incurred costs in the amount of $60,262. In contrast, during fiscal 2018 the Company was actively working with our CRO to recruit and onboard clinical trial sites and ensure that all the appropriate processes and procedures were in place between the Company and its contract manufacturer. Furthermore, during the second quarter of 2018, the Company hosted a onetime principal investigator meeting, for all the clinical trial principal investigators, study coordinators and researchers to meet in person at one place to discuss and to receive training in regards to the clinical study protocol. In addition, the Company enrolled patients into the clinical trial in the second, third and fourth quarters which resulted in the laboratory beginning to process blood for ACP-01. Regular ongoing research and product development is also ongoing at the laboratory facility.

Consultant and management fees for the year ended December 31, 2018 were $1,723,813 compared to $850,193 for the year ended December 31, 2017 representing an increase of 876,620 or 103%. The increase is due to an increase in the number of personnel and amount of time spent working on Hemostemix projects as clinical trial activities have ramped up. In addition, the management fee is based on 15% of expenses, so as other expenses increase, such as research and development, so too does the management fee (see "Management Agreement"). For the three months ended December 31, 2018, consultant and management fees were $484,490 compared to $152,253 during the fourth quarter of 2017 representing an increase of $332,237 or 218%. This increase can be explained by the fact that in the fourth quarter of 2017 the Company just resumed clinical trial work after a lengthy postponement and just started to ramp up costs, compared to the fourth quarter of 2018 where clinical trial activity had been running fully throughout the year.

Stock compensation expense for the year ended December 31, 2018 was $1,636,143 compared to $454,261 for the year ended December 31, 2017. This increase resulted from the issuance of 20,767,230 stock options at the end of the third quarter in 2017 as well as an additional 6,300,000 options granted in the second quarter of 2018 and 2,650,000 granted in the third quarter of 2018. The estimated fair value of granted options using the Black-Scholes option pricing model will be expensed over the vesting period of three years for which $272,935 was recorded as an expense during the three months ended December 31, 2018 and $360,347 expensed during the three months ended December 31, 2017.

Lease and office maintenance expense for the year ended and three months ended December 31, 2018 was $199,339 and $55,521 compared to $68,845 and $17,620 for the year ended and three months ended December 31, 2017, representing increase of $130,494 year over year and $37,901 quarter over quarter. Lease and office maintenance includes office administration costs including rent, courier and utilities as well as investor relations and communications costs. For all of 2018 the Company leased office space in Calgary where as for the majority of 2017 staff used home offices.

Professional fees for the year ended December 31, 2018 were $497,044 compared to $1,294,009 for the year ended December 31, 2017 representing a decrease of $796,976 or 62%.

Professional Fees	**2018** **$**	2017 $
Patent costs	147,105	102,275
Accounting & audit fees	99,749	109,009
Legal – clinical trial agreements	31,750	7,066
Legal - compliance	87,781	26,989
Legal - financing	-	1,003,484
Legal - other	130,649	45,185
Total	**497,044**	**1,294,009**

Professional fees decreased in 2018 as significant financing legal costs were incurred in 2017 related to the financing event on September 15, 2017, where as no such event took place in 2018. The decrease in legal fees was partially offset due to an increase in professional fees related to one time occurrences such as the wind down of our foreign subsidiaries and licensing and manufacturing agreements. Also, due to the number of new clinical trial sites onboarded for our phase II clinical trial, legal costs for the review agreements increased in 2018 as compared to 2017. The legal costs for patents increased in 2018 as the Company filed an additional patent application and paid for the defence of existing patents.

Professional fees for the three months ended December 31, 2018 were $202,196 compared to $158,164 for the same period in 2017, representing an increase of $44,032 or 28%.

Professional Fees	**Q4, 2018**	Q4, 2017
	$	$
Patent costs	43,820	23,202
Accounting & audit fees	56,515	67,571
Legal – clinical trial agreements	7,260	7,066
Legal - compliance	8,670	9,571
Legal - finance	-	8,132
Legal - other	85,931	42,622
Total	**202,196**	**158,164**

The increases in professional fees quarter over quarter related to costs to maintain our patent portfolio and other legal fees that are one time in nature. Cost to maintain our patent portfolio increased compared to the prior period in 2017 due to inquiries from the European Patent Office regarding one of our patent applications and our response to those inquiries. The Company also incurred other legal fees related to the wind down of our foreign subsidiaries. These legal costs were one-time costs which resulting in an increase other legal fees during 2018.

Travel expenses for the year and three months ended December 31, 2018 were $102,827 and $33,142 respectively, compared to $82,659 for both the year and three months ended December 31, 2017. This increase year over year resulted from additional travel related to the clinical trials, principal investigator meeting, investor relations activities and visits to our contract manufacturer. In 2017, the Company did not incur travel expenses during the first nine months of the year as the clinical trials were postponed. All of its travel expenses of $82,659 were incurred during Q4, 2017.

Accretion expense for both the year and three months ended December 31, 2018 was $nil compared to $979,833 and $227,000 respectively, for the same period in 2017. The accretion expense in 2017 represents amortization of the discount on convertible promissory notes payable in the amount of $65,492, amortization of the discount on a convertible debenture in the amount of $687,341 and interest accretion of $227,000 on a convertible secured debt facility. These borrowings were all converted into equity in 2017 and therefore, there was no accretion expense in 2018.

Foreign exchange loss (gain) for the year ended December 31, 2018 was a gain of $218,171 compared to a gain of $74,676 for the year ended December 31, 2017, a decrease in the amount of $143,495 or 192%. In Q4 2018 the Company incurred a foreign exchange gain of $121,776 compared to a gain of $18,975 in Q4, 2017. The gain for both the quarter-ended and year-ended December 31, 2018 relate to an unrealized foreign exchange gain due to substantial US currency holdings and the weakening of the Canadian dollar against the US dollar.

Interest (income) expense, net for the year ended December 31, 2018 was income of $23,465 compared to an expense of $158,987 for year ended December 31, 2017 representing a change of $182,452 or 115%. In 2017 the Company recorded interest expense related to a $1,250,000 demand loan issued in January 2017, there was no interest expense in 2018 as the demand loan was converted to equity on September 15, 2017. Interest income in 2018 relates to interest earned on short term investments and cash balances from the proceeds of the financings completed at the end of 2017.

Loss on settlement of debt in 2017 included a loss of $499,444 that was recorded on the conversion of a series of share and debt transactions with certain of the Company's creditors by issuing common shares to satisfy certain trade payables and other debts payable. This amount was partially offset by a gain of $87,500 on the conversion of demand loans given a difference between agreed upon price and the fair value of the shares on the date of settlement, resulting in a net loss on settlement of debt of $411,944.

Change in fair value of derivative included a gain of $775,325 for the year ended December 31, 2017 and a gain of $538,125 in the three months ended December 31, 2017 compared to $nil in 2018. The gain in 2017 relates to the $1,000,000 convertible debenture issued as part of the private placement in 2016. The conversion feature o the debenture was recorded as a derivative liability as the exercise price could be adjusted upon the issuance of deemed issuance of common shares at a price less than the conversion price. The value of this derivative liability changed throughout the year resulting in total gain of $775,325 on conversion of the debenture.

QUARTERLY FINANCIAL INFORMATION

The following table sets out the quarterly results for the most recently completed 8 quarters:

	Dec 31, 2018	Sept 30, 2018	June 30, 2018	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30, 2017	Mar 31, 2017
Net Loss ($)	(1,738,998)	(1,705,560)	(1,659,334)	(1,083,793)	(921,210)	(1,955,141)	(509,801)	(548,759)
Weighted Average # of Shares	300,801,231	299,025,877	297,482,782	296,874,720	296,874,720	111,605,053	74,208,397	73,758,953
Loss per Share ($)	(0.01)	(0.01)	(0.01)	(0.004)	(0.003)	(0.018)	(0.007)	(0.007)

LIQUIDITY AND CAPITAL RESOURCES

Hemostemix is a development stage company that to date, has had minimal revenue, no net earnings and negative operating cash flows, which are expected to continue in the foreseeable future. As a development stage company, we require significant additional investment for research and development, manufacturing, clinical testing and regulatory submissions prior to commercialization. Since inception, we have financed our cash requirements primarily through issuances of equity and debt securities. Our ability to continue as a going concern is dependent upon obtaining additional investment capital and grant monies.

Based on the foregoing, we will continue to pursue various funding opportunities, however, no assurances can be made that we will be successful in raising additional investment capital, to continue as a going concern. If we are not able to raise capital we will have to reduce our cash requirements by eliminating or deferring spending on research, development and corporate activities.

For the year ended December 31, 2018, there was a net cash outflow from operating activities of $2,689,310 compared to a net cash outflow of $3,213,240 for the year ended December 31, 2017, a decrease in outflow of $523,930.

Expressed in tabular form, the increase from the net cash generated for operations is as follows:

Increase in net loss from continuing operations for the period	$	(2,730,626)
Increase in stock compensation expense		1,181,882
Decrease in accretion expense		(979,833)
Decrease in interest expense		(172,390)
Loss on settlement of debt		(411,944)
Change in fair value of derivative liability		775,325
Professional fees reimbursed in secured credit transaction		(1,020,905)
Deferred income tax recovery		60,155
Movement of short term investments to cash and cash equivalents		2,509,318
Change in other receivables and prepaid expenses		(38,587)
Change in HST receivable		(134,411)
Change in accounts payable and accrued liabilities		1,105,126
Change in income taxes payable		4,805
Cash flow from discontinued operations		376,015
Decrease in the net cash used for operations	$	523,930

As at December 31, 2018 the Company had working capital of $487,799 compared to working capital of $4,837,696 at December 31, 2017, resulting in a decrease in working capital of $4,349,897. This lower working capital is a result of:

1) A decrease in cash and cash equivalents of $2,487,665;
2) A decrease in short term investments of $1,254,659;
3) An increase in HST receivable of $75,890;
4) An increase in other receivables and prepaid expenses of $26,201;
5) An increase in accounts payable and accrued expenses of $709,664;

The main reason for the decrease in working capital is the increase in clinical trial activity which increased operating expenses and related accounts payable.

Outstanding Share Data

As at December 31, 2018, the number of issued and outstanding shares was 300,898,610 (December 31, 2017 – 296,874,720). As at April 30, 2019 the number of shares issued and outstanding remained at 300,898,610.

As at December 31, 2018, the Company had 29,417,230 share purchase options outstanding (December 31, 2017 – 21,437,230). As at April 30, 2019, the number of outstanding share purchase options was 30,467,230.

As at December 31, 2018, the Company had 114,818,564 share purchase warrants outstanding (December 31, 2017 – 116,831,010). As at April 30, 2019 the number of outstanding warrants was 114,818,564.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 in the 2018 audited annual consolidated financial statements for a detailed description of our significant accounting policies. We have consistently applied the same accounting policies for all periods presented in these interim consolidated financial statements as those used in our audited consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

Changes in Accounting Policies and Disclosure

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. As the Company is not currently earning revenue there is no impact on its financial reporting.

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. We have applied IFRS 9 retrospectively, with the initial application date of January 1, 2018. There were no changes to the measurement of our financial assets and liabilities or adjustments to comparative information as a result of the adoption of IFRS 9.

Financial Instruments

Classification and measurement

Financial Assets

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are items in profit or loss.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or less. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

Our financial assets include cash and cash equivalents, short term investments, and other receivables. The classification and measurement of these financial assets are at amortized

cost, as these assets are held within our business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'solely payments of principal and interest' ("SPPI") criterion.

Financial liabilities

Financial liabilities are initially measured at fair value and are subsequently measured at amortised cost. The accounting for our financial liabilities remained the same as it was under IAS 39.

Impairment

Under IFRS 9, accounting for impairment losses for financial assets uses a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires that we record a loss allowance for ECLs on all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

There were no adjustments in impairment allowances of our financial assets as a result of the adoption of the ECL requirements of IFRS

STANDARDS ISSUED BUT NOT YET ADOPTED

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. IFRS 16 specifies how a reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Early adoption will be permitted, provided the Company has adopted IFRS 15. The Company intends to adopt the new standard on its effective date and anticipates no impact on its financial reporting as the Company is currently not party to any financial leases.

COMMITMENTS & CONTINGENCIES

Commitments

Consulting Agreement
The Company entered an agreement with Topstone Research Inc. ("Topstone") on September 8, 2017 to provide clinical research. The value payment for services to Topstone in the agreement is approximately $1.7 million to be allocated over the 28-month span of the trial as the expenses are incurred. Based on the payments made to Topstone since the inception of the contract, there is approximately $1.3 million remaining to be paid on the contract.

Clinical Trial Costs
The Company is committed to payments totaling approximately $1.8 million for activities related to our clinical trial such as manufacturing and contract research. These payments are expected to be made over the next 12 months; however, the timing and dollar amount can vary by month depending on amount of clinical trial activity taking place. Additionally, the Company has the right to cancel these future commitments by providing the agreed upon notice in the contract, generally 60 days.

Contingencies

In the ordinary course of operating, the Company may from time to time be subject to various claims or possible claims. Management believes that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain, and management's view of these matters may change in the future.

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.

During the year ended December 31, 2018, the Company incurred $1.27 million of research and development expenses to a company related to Hemostemix by virtue of common management (2017 - $Nil)

The following includes all compensation to key management personnel:

The Company incurred $1.4 million, in consulting fees to the Chief Scientific Officer, members of the Scientific Advisory Board, the previous CFO of the Company and the management contractor, who is providing a Chief Executive Officer, Chief Financial Officer, accountant and other services, during the year ended December 31, 2018 (2017 - $915,656).

The management contractor was also reimbursed $91,348 in travel and other expenses during the year ended December 31, 2018 (December 31, 2017 - $103,819).

As at December 31, 2018, the Company had $390,542 in accounts payable and accrued liabilities owing to the management company, contract manufacturing company, Chief Scientific Officer, and Scientific Advisory Board Members (December 31, 2017 - $116,382).

The Company recorded share-based compensation for the year ended December 31, 2018 in the amount of $1,511,467 (2017 – $454,261) to key management personnel.

On January 25, 2017, the Company secured a credit facility providing and initial $750,000 in funding from the company that is the management contractor for Hemostemix. In early 2017, the management contractor assigned the demand loan agreement and sold the related indebtedness of the Company to a company related to the management contractor company of Hemostemix. The Company received an additional $500,000 bringing total advances to $1,250,000. On September 15, 2017, as part of the secured credit transaction, this debt was converted into common shares of the Company

FINANCIAL INSTRUMENTS & CAPITAL RISK MANAGEMENT

Our financial instruments consist of cash and cash equivalents, short term investments, other receivables and accounts payable and accrued liabilities. As at December 31, 2018, there are no significant differences between the carrying values of these amounts and their estimated market values.

Financial risk management

The Company's financial risk management policies are established to identify and analyze the risks faced by the Company, to set acceptable risk tolerance limits and controls, and to monitor risks and adherence to limits. The financial risk management policies and systems are reviewed regularly to ensure they remain consistent with the objectives and risk tolerance acceptable to the Company and current market trends and conditions. The Company, through its training and management standards and procedures, aims to uphold a disciplined and constructive control environment in which all employees understand their roles and obligations.

The company's risk exposures and the impact on the company's financial instruments are summarized below:

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign currency and interest rate risk).

Credit risk

Credit risk is the risk of financial loss if counterparty to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk on our cash and cash equivalents and short term investments in the event of non-performance by counterparties, but we do not anticipate such non-performance. Our maximum exposure to credit risk at the end of the period is the carrying value of our cash and cash equivalents and short term investments.

We mitigate our exposure to credit risk by maintaining our primary operating and investment bank accounts with Schedule I banks in Canada.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk through our cash and cash equivalents and our short-term investments. We mitigate this risk by investment of excess cash resources in investment grade vehicles while matching maturities with our operational requirements.

Fluctuations in market rates of interest do not have a significant impact on our results of operations due to the short term to maturity of the investments held.

Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of our operations, we are exposed to currency risk from the purchase of goods and services in the United States. In addition, we are exposed to currency risk to the extent cash is held in foreign currencies. The impact of a $0.01 increase in the value of the U.S. dollar against the Canadian dollar would have increased our net loss for the year ended December 31, 2018 by approximately $17,449.

We mitigate our foreign exchange risk by maintaining sufficient foreign currencies, through the purchase of foreign currencies to settle our foreign accounts payable and future commitments.

Balances in foreign currencies at December 31, 2018 are as follows:

	US Dollars
	$
Cash and cash equivalents	1,058,328
Accounts payable and accrued expenses	(220,177)
	838,151

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure. Accounts payable are all due within the current operating period.

As at December 31, 2018, the Company has a working capital of $487,799 (2017 - $4,837,696). As at December 31, 2018, the Company has an accumulated deficit of $36,603,707 (2017 - $30,416,022) and is not yet generating operating cash flows. As such, there is material uncertainty about the ability of the Company to continue as a going concern. In order to continue as a going concern, the Company requires additional capital to fund ongoing operations and intends on continuing to raise additional funds through the issuance of equity and/or debt.

Capital risk management

The Company's objectives when managing capital are:

- ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintaining healthy liquidity reserves and access to capital; and
- minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

To assess its effectiveness in managing capital, management monitors certain key ratios to ensure they are within targeted ranges.

The Company defines its capital as its equity. Its capital management objectives and approach were unchanged during the year.

SUBSEQUENT EVENTS

Option Plan, Grants & Modifications of Awards

Subsequent to the end of the year:

- The Company granted 1,050,000 stock options to an officer of the Company and committed to granting an additional 5,000,000 stock options to the officer as they become available in the option pool. These stock options will vest on a quarterly basis such that all stock options will be fully vested by August 1, 2021.
- In exchange for continued assistance from the management company, whose contract expired in December 2018, the Company removed the vesting provisions of their 5,933,494 stock options and extended the expiry date to December 2019.
- The vesting terms for a total of 1,500,000 stock options granted to a consultant and an officer in April 2018 were modified from a three year vesting term, vesting 1/3 per year to a three year vesting term, vesting 1/3 of the grants on the first anniversary of the grant and 8-1/3% per quarter thereafter.

Non-Brokered Private Placement

On April 15, 2019 the Company announced that it intends to complete, subject to regulatory approval, a non-brokered private placement of up to a maximum of $6,000,000 principal amount of secured convertible debentures Each debenture will consist of $1,000 aggregate principal amount of 8%

secured, non-transferable, convertible, redeemable debentures (the “Debentures”). The Debentures will mature twenty four (24) months from the date of the first closing (the "Maturity Date”) and bear interest at a rate of 8% per annum. The principal amount of the Debentures is convertible into common shares of the Company (“Common Shares”) at the option of the holder, at a price of $0.08 per Common Share in the first year after the date of issuance and at a price of $0.10 in the second year (as applicable, the “Conversion Price”), subject to TSX Venture Exchange (“TSXV”) approval.

The Company may elect to force the conversion of the principal amount of the outstanding Debentures at the Conversion Price (“Mandatory Conversion”), on not more than 60 days’ and not less than 30 days’ notice, if the daily closing trading price of the common shares on the TSXV is greater than $0.20 for 20 consecutive trading days preceding such notice, subject to the Mandatory Conversion being permitted under the policies of the TSXV. The Debentures will be secured obligations of the Company. The Debentures may be redeemed by the Company, in whole or in part, plus any accrued and unpaid interest, at any time prior to the Maturity Date. Finders’ fee may be payable in conjunction with the Offering at the election of the Company. The Debentures, and any common shares issuable upon conversion will be subject to a four month hold period from the date of closing.

New Management Contract

The Company entered into a new management contractor agreement with Kingsman Scientific Management Inc. (“KSM”), dated April 18, 2019 with an effective date of January 1, 2019. KSM is majority owned by Kyle Makofka, the current CEO of the Company. Pursuant to this agreement, KSM will oversee and manage all aspects of the operations and management of Hemostemix, including the Company’s current clinical trial, as well as assist in identifying additional appointments to the Company’s Board of Directors and management team.

The agreement has a term of one year with an option for an additional one-year renewal period. KSM will be compensated based on a fixed fee for key management personnel costs, support services, accounting and office rental and cost plus 15% for clinical trial operations as well as be entitled to bonuses should it achieve costs savings for the current Phase II clinical trial for critical limb ischemia. In addition, KSM will be granted stock options to acquire common shares in the capital of the Company to be granted in an amount equivalent to up to five percent (5%) of the Company's total issued and outstanding common shares.

Modification of Contract Research Organization Contract

Subsequent to the end of the year, the Company signed a change order with its Contract Research Organization to move all activities related to the Company’s Phase II clinical trial for critical limb ischemia to the new management company.

DISCLOSURE CONTROLS, 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 December 31, 2018, 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

Lack of Product Revenues and History of Losses

To date, Hemostemix has not recorded any revenues from the sale of biopharmaceutical products or earning any licensing revenues, and, as a result, it faces a high risk of business failuer. 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 or license payments generate sufficient revenues to fund its continuing operations.

Ability to Continue as a Going Concern

The Company's auditors' opinion on its December 31, 2018 financial statements includes an explanatory paragraph in respect of there being substantial doubt about its ability to continue as a going concern.

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's 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's products are at an early stage of development. Significant additional investment in research and development, product validation, 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. The Company's technology will require significant research and development and preclinical and clinical testing prior to regulatory approval, if required, being obtained in the United States or other countries. The Company may not be able to obtain regulatory approvals, if required, to complete necessary clinical trials for its cell technology, or to commercialize it. The Company's technology may prove to have undesirable and unintended side effects, or other characteristics adversely affecting its safety, efficacy or cost-effectiveness could prevent or limit its use. The Company's technology may fail to provide its intended benefit, or achieve benefits equal to or better than its competitor's products at the time of testing or production and, if so, its business may fail.

Clinical Trial Risks

The Company's clinical trials may fail to produce successful results or could be suspended due to unacceptable safety risks, which could cause its business to fail. Clinical trials are subject to extensive regulatory requirements, and are very expensive, time-consuming and difficult to design and implement, in part because they may be subject to rigorous regulatory requirements. The Company's products may fail to achieve necessary safety and efficacy endpoints during clinical trials. The Company believes that its clinical trials will take a substantial period of time to complete. Furthermore, failure can occur at any stage of the trials, and the Company could encounter problems that cause us to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including: unforeseen safety issues; lack of effectiveness during clinical trials; slower than expected rates of patient recruitment; and inability to monitor patients adequately during or after treatment. In addition, the Company or regulatory officials may suspend the Company's clinical trials at any time if it

appears that the Company is exposing participants to unacceptable health risks. If the Company's clinical trials fail to produce successful results, or are suspended due to unacceptable safety risks, the Company's business may fail.

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 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's 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, generally impose similar restrictions.

Hazardous Materials and Environmental Matters

Certain of Hemostemix's 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's 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's 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's 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 are 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's 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.

Acceptance of Technology

The Company's success depends on the acceptance of its stem cell technology by the medical community and consumers as a safe and effective solution. The success of its technology will depend on its acceptance by potential consumers and the medical community. Because its technology is new in the treatment of CLI, the long term effects of using its new technology are unknown. The results of short-term clinical trials do not necessarily predict long-term clinical benefit or reveal adverse effects. If results obtained from future commercial experience indicate that its technology is not as safe or effective as other treatments, adoption of this technology by consumers and the medical community may suffer and its business will be harmed.

Potential Product Liability

Pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. Product liability insurance is costly, and 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's ability to conduct its clinical trial depends on its uninterrupted ability to manufacture product and ship product in and out of its third party 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 or license 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's shares, 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.

No Anticipated Dividends

The Company does not intend to pay dividends on any investment in the shares of stock of the Company. The Company has never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. To the extent that the Company requires additional funding currently not provided for in its financing plan, its funding sources may prohibit the payment of a dividend. Because the Company does not intend to declare dividends, any gain on an investment in the Company will need to come through an increase in the stock's price. This may never happen and investors may lose all of their investment in the Company.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company's main focus is to develop, 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, licensing arrangements or through direct commercialization of its products.