HEMOSTEMIX INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN CANADIAN DOLLARS)

To the Shareholders of Hemostemix Inc.:

Opinion

We have audited the consolidated financial statements of Hemostemix Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred net loss of $4,869,801 and used cash in operating activities of $3,403,747 during the year ended December 31, 2019 and, as of that date, the Company had accumulated deficit of $41,473,508 and the Company's current liabilities exceeded its current assets by $4,049,590. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sandra Alison Solecki.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

July 10, 2020 — Licensed Public Accountants

MNP

Hemostemix Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2019	As at December 31, 2018
ASSETS		
Current		
Cash	**$ 24,064**	$ 1,471,038
HST/GST receivable	**62,448**	102,975
Other receivables and prepaid expenses	**13,317**	88,242
Total Current Assets	**99,829**	1,662,255
Equipment (note 5)	**4,450**	-
Intangible Assets	**1**	1
Total Assets	**$ 104,280**	$ 1,662,256
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 13)	**$ 2,085,138**	$ 1,174,456
Convertible Debentures (note 6(b))	**564,698**	-
Loan payable (note 6(a))	**1,499,583**	-
Total Liabilities	**4,149,419**	1,174,456
Shareholders' Equity (Deficiency)		
Share capital (note 7)	**31,034,212**	31,034,212
Warrants (note 8)	**439,707**	3,136,394
Contributed surplus	**5,954,450**	2,920,901
Deficit	**(41,473,508)**	(36,603,707)
Total Shareholders' Equity (Deficiency)	**(4,045,139)**	487,800
Total Liabilities and Shareholders' Equity	**$ 104,280**	$ 1,662,256

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

Nature of business and going concern (note 1)
Commitments and contingencies (note 12)
Subsequent events (note 15)

Approved on behalf of the Board:

"Peter Lacey", Director, Chair of Audit Committee

"Thomas Smeenk", Director, CEO

Hemostemix Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue	**$ -**	$ -
Operating expenses		
Research and development (note 13)	**2,351,181**	2,263,944
Consulting (note 13)	**1,347,762**	1,723,813
Stock-based compensation (note 9)	**333,251**	1,636,143
Office rent and office maintenance (note 13)	**231,966**	199,339
Professional fees	**315,684**	497,033
Travel (note 13)	**114,647**	102,827
Foreign exchange loss (gain)	**68,641**	(218,171)
Finance expense (income) (note 11)	**104,981**	(23,465)
Depreciation and amortization (note 5)	**1,688**	-
Total Operating expenses	**(4,869,801)**	(6,181,463)
Net Loss from continuing operations for the year	**(4,869,801)**	(6,181,463)
Loss from discontinued operations, net of income taxes (note 3)	**-**	(6,222)
Net loss and comprehensive loss for the year	**$ (4,869,801)**	$ (6,187,685)
Basic and diluted net loss per share		
Continued operations	**$ (0.02)**	$ (0.02)
Discontinued operations	**$ (0.00)**	$ (0.00)
Weighted average number of common shares Outstanding – Basic and diluted	**300,898,610**	298,656,561

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

Hemostemix Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating activities		
Net loss from continuing operations for the year	**$ (4,869,801)**	$ (6,181,463)
Items not affecting cash:		
Stock compensation expense (note 9)	**333,251**	1,636,143
Finance expense	**104,981**	-
Depreciation expense (note 5)	**1,688**	-
Changes in non-cash working capital items:		
Reallocation of short-term investments with less than three months to maturity, to cash and cash equivalents	**-**	1,254,659
Other receivables and prepaid expenses	**74,925**	(26,201)
HST / GST receivable	**40,527**	(75,890)
Accounts payable and accrued liabilities	**910,682**	709,664
Net cash used in continuing operations	**(3,403,747)**	(2,683,088)
Net cash used in discontinued operations (note 3)	**-**	(6,222)
Net cash used in operating activities	**(3,403,747)**	(2,689,310)
Investing activities		
Purchase of equipment	**(6,138)**	-
Net cash used in investing activities	**(6,138)**	-
Financing activities		
Exercise of warrants (note 7(b)(a))	**-**	201,645
Issuance of convertible debentures (note 6 (b))	**525,000**	-
Issuance of loan (note 6(a))	**1,437,911**	-
Net cash provided by financing activities	**1,962,911**	201,645
Net change in cash	**(1,446,974)**	(2,487,665)
Cash, beginning of year	**1,471,038**	3,958,703
Cash, end of year	**$ 24,064**	$ 1,471,038

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

Hemostemix Inc.

Consolidated Statements of Changes in Deficiency
(Expressed in Canadian Dollars)

	Share Capital			Contributed		
	Number	Amount	Warrants	Surplus	Deficit	Total
Balance, December 31, 2017	296,874,720	$ 30,741,184	$ 3,227,777	$ 1,284,758	$(30,416,022)	$ 4,837,697
Exercise of warrants	4,023,890	293,028	(91,383)	-	-	201,645
Exercise of stock options	-	-	-	1,636,143	-	1,636,143
Net loss and comprehensive loss for the year	-	-	-	-	(6,187,685)	(6,187,685)
Balance, December 31, 2018	**300,898,610**	**$ 31,034,212**	**$ 3,136,394**	**$ 2,920,901**	**$(36,603,707)**	$ 487,800
Equity portion of convertible debentures issued	-	-	-	3,611	-	3,611
Share-based compensation (note 9)	-	-	-	333,251	-	333,251
Expiry of warrants (note 8)	-	-	(2,696,687)	2,696,687	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(4,869,801)	(4,869,801)
Balance, December 31, 2019	**300,898,610**	**$ 31,034,212**	**$ 439,707**	**$ 5,954,450**	**$(41,473,508)**	**$ (4,045,139)**

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

1. Incorporation, Nature of Business and Going Concern

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. The Company’s head office is located at Suite 1150, 707-7th Ave SW, Calgary, AB T2P 3H6.

Hemostemix Inc. has two 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 structured the sale of the IP from Kwalata to Hemostemix and planned the wind up Kwalata. This transaction was not completed and Kwalata, remains a wholly owned subsidiary of Hemostemix Inc., and continues as an IP holding company (see note 3). 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 note 3).

The Company incurred a net loss of $4,869,801 for the year ended December 31, 2019, (December 31, 2018 - $6,187,685) and had accumulated deficit of $41,473,508 (December 31, 2018 - $36,603,707). The Company used cash in operating activities of $3,403,747 (December 31, 2018 - $2,689,310) and, as of that date the Company’s current liabilities exceeded their current assets by $4,049,590 (December 31, 2018 – current assets exceeded current liabilities by $487,799). The Company’s biotechnology is in the mid-stage of the research of its main product ACP-01; as a result, the Company has not produced revenue nor achieved operational profitability and positive cash flows.

These conditions indicate that there is a material uncertainty which may cast significant doubt about the Company's ability to continue operating as a going concern. The consolidated financial statements do not include any adjustments to reflect any events since December 31, 2019 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this uncertainty.

During 2018 and 2019, the Company completed several transactions to raise additional capital and restructure its debt. The Company's ability to continue to operate is dependent upon continuing financial support.

These consolidated financial statements were approved by the Company's Board of Directors on July 10, 2020.

2. Significant Accounting Policies

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

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

2. Significant Accounting Policies (Continued)

Consolidated financial statements

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Kwalata Trading Limited and Hemostemix Ltd. The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is determined when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Effective October 1, 2017, Hemostemix Ltd. ceased operations in Israel and moved its clinical trial activities to North America. The operating results of its activities in Israel have been presented as a discontinued operation. On October 1, 2018, management structured the sale of the IP from Kwalata to Hemostemix and planned the wind up Kwalata. This transaction was not completed and Kwalata, a wholly owned subsidiary of Hemostemix Inc., continues as an IP holding company.

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

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 consolidated 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.

Segment reporting

The Company’s CEO is identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company’s management system. The Company has determined that it only has one operating segment located in Canada.

Use of estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates made in these consolidated financial statements. Areas where estimates are significant to these consolidated financial statements are as follows:

1. The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, forfeiture rate, volatility and dividend yield and making assumptions about them which are disclosed in Note 9.

2. Significant Accounting Policies (Continued)

Use of estimates and judgments (continued)

2. Convertible debentures require an estimation of the fair value of a similar liability that does not have an equity conversion option. The carrying amount is determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole. Significant judgment is required when accounting for the redemption, conversion or modification of these instruments.

Financial Instruments

Financial instruments of the Company consist of cash, other receivables, accounts payable and accrued liabilities, convertible debentures, and loans payable.

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 the consolidated statement of loss and comprehensive 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 the consolidated statement of loss and comprehensive loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of loss and comprehensive 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 the consolidated statement of loss and comprehensive loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the consolidated statement of loss and comprehensive 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 the consolidated statement of loss and comprehensive 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 the consolidated statement of loss and comprehensive loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in the consolidated statement of loss and comprehensive loss and presented net within other gains or losses in the period in which it arises.

Our financial assets include cash 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.

2. Significant Accounting Policies (Continued)

Compound financial instruments (continued)

Financial liabilities
Financial liabilities are initially measured at fair value and are subsequently measured at amortized cost. The Company's accounts payable and accrued liabilities, convertible debentures and loans payable are measured at amortized cost.

Compound financial instruments
Compound financial instruments issued by the Company comprise convertible debt that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in the fair value.

The liability component of compound financial instruments is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, if any, is recognized initially at the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any direct attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amount.

Subsequent to initial recognition, the liability component of compound financial instruments is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not measured again subsequent to initial recognition. Interest, dividends, losses and gains relating to financial liabilities are recognized in the consolidated statement of loss and comprehensive loss.

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.

Cash and cash equivalents
Cash and cash equivalents is defined as cash plus highly liquid assets with an original term to maturity of three months or less at the date of issuance.

Research and development costs
The Company expenses amounts paid for intellectual property, development and production expenditures as they are incurred. However, such costs are deferred and recorded in intangible assets when they meet generally accepted criteria, to the extent that their recovery can reasonably be regarded as assured.

The costs must meet the following criteria to be deferred: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; the probability of future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Once those criteria are met, the future costs, such as costs to obtain patent or trademark protection over the developed technologies, will be capitalized. These costs are then amortized over their expected useful lives. To date it has not been demonstrated that these expenditures will generate or be able to be used to generate probable future economic benefits.

2. Significant Accounting Policies (Continued)

Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainty of cash flow.

Share-based compensation
The Company measures equity-settled share-based payments to employees and others providing similar services at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is calculated using the Black-Scholes option valuation model and is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, and credited to contributed surplus. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of loss and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. When options are exercised, the proceeds together with the amount originally credited to contributed surplus are credited to share capital.

The use of the Black-Scholes model requires inputting a number of assumptions, including expected dividend yield, expected share price volatility, forfeiture rate, expected time until exercise and risk-free interest rate. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on conditions outside of the Company's control. If other assumptions were used, share-based compensation could be significantly impacted.

Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Tax on income is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred taxes
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2. Significant Accounting Policies (Continued)

Deferred taxes (continued)
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Loss per share
Loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the period. The diluted loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options, share purchase warrants, and convertible instruments in the weighted average number of common shares outstanding during the period, if dilutive. The basic and diluted loss per share are the same as there are no instruments that have a dilutive effect on earnings. For the periods presented, the potentially dilutive effect of stock options, share purchase warrants and the convertible instruments have proven to be anti-dilutive.

Equipment
Equipment is recorded at cost less accumulated depreciation and impairment, if any. Depreciation is calculated on a declining balance basis at 55% per annum for computers which is their estimated useful life.

Intangible assets
Intangible assets consist of costs incurred to acquire license, patents and unpatented technology. Intangible assets are recorded at cost less accumulated amortization and accumulated impairment. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the asset.

Convertible Debentures
Convertible debentures are initially recorded at amortized cost and accounted for as compound financial instrument with separable debt and equity components. The debt component is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for debt instruments of similar term and risk assuming no conversion feature. The debt component is deducted from the total carrying value of the compound instrument to derive the carrying amount allocated to the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized as finance costs in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

Changes in Accounting Policies and Disclosure

IFRS 16 - Leases ("IFRS 16")

The Company adopted IFRS 16, which replaced IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. 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. The Company adopted the new standard on its effective date and there no impact to the Company's consolidated financial statements after using practical expedients as allowed within the standard. The Company had one lease agreement for office space which ended during the year.

3. Discontinued Operations

On October 1, 2017, the Company ceased its operations in Israel and moved its manufacturing and research and development activities to North America.

On October 1, 2018, management structured the sale of the IP from Kwalata to Hemostemix and planned the wind up Kwalata. This transaction was not completed and Kwalata remains a wholly owned subsidiary of Hemostemix Inc., and continues as an IP holding. As at and for the years ended December 31, 2019, Kwalata had no assets, liabilities or net income.

The following table summarizes the Israel activities as classified as discontinued operations for the years ended December 31, 2019 and 2018:

	December 31, 2019 $	December 31, 2018 $
Operating expenses	$ -	$ 6,222
Loss from discontinued operations, net of tax	**$ -**	**$ 6,222**

The Israel operations had current assets of $1,784 as at December 31, 2019 (December 31, 2018 - $1,784) and current liabilities of $Nil as at December 31, 2019 (December 31, 2018 - $Nil). The current assets held in Israel operations is $1,784 of cash as at December 31, 2018 and 2019.

The following table summarizes the net cash flow attributable to the discontinued operations for the years ended December 31, 2019 and 2018:

	December 31, 2019 $	December 31, 2018 $
Net loss and cash flows used in operating activities	**$ -**	**$ (6,222)**

(Expressed in Canadian Dollars)

4. Intangible Assets

In February 2018, the Company entered into a license agreement with Aspire Health Science, LLC ("Aspire"), that granted Aspire a license to sell and import product and use the technology for the treatment of the approved medical indications in the territories approved in the agreement in exchange for royalty payments on revenue earned.(the "2018 License").

In September 2019, the Company entered into an Amended and Restated License Agreement with Aspire (the "2019 License"). Aspire failed to fulfill the conditions precedent in the 2019 License, and as such the 2019 License was rescinded by the Company on December 5, 2019 and never took effect, thus leaving the 2018 License still in effect (note 15).

Proprietary Protection - The Company's intellectual property is protected by several issued patents grouped together in five patent families, which currently have a carrying value of $1 (2018 - $1).

Additional provisional patent applications have been filed and patents continue to be pursued in additional jurisdictions; however, the Company has determined that none of these costs meet their criteria for deferral (2018 - $Nil).

The five patent families are:

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

(Expressed in Canadian Dollars)

5. Equipment

	Computer and Equipment	Total
Cost		
Balance - December 31, 2018	$ -	$ -
Additions	6,138	6,138
Balance - December 31, 2019	**6,138**	**6,138**
Accumulated depreciation		
Balance - December 31, 2018	$ -	$ -
Additions	(1,688)	(1,688)
Balance - December 31, 2019	**(1,688)**	**(1,688)**
Net Book Value		
As at December 31, 2018	$ -	$ -
As at December 31, 2019	**$ 4,450**	**$ 4,450**

6. Loans and Borrowing

(a) Secured Credit Facility:
On August 1, 2019, the Company obtained a loan agreement providing up to $2 million in funding at an annual interest rate of 12%. As at December 31, 2019, advances totaling $1,437,911 were made to the Company. The loan is secured by a general security agreement over the personal property of the Company. The loan is to be repaid the earlier of one year following the first advance or upon demand, any time after September 30, 2019, subject to at least 60 days written notice. The Company incurred $61,672 of interest expense as at December 31, 2019 which has been recorded as finance expense in the consolidated statements of loss and comprehensive loss.

(b) Convertible Debenture:

	Number of Convertible Debentures	Liability Component	Equity Component
Issuance of convertible debentures	**525,000**	$ 521,389	$ 3,611
Accretion on discount	**-**	3,611	-
Interest payable	-	39,698	-
Balance at December 31, 2019	**525,000**	**$ 564,698**	**$ 3,611**

6. **Loans and Borrowing (Continued)**

Convertible debenture:

On May 15, 2019, the Company completed the first closing of a $1,000,000 non-brokered private placement of convertible debentures ('the Offering"), pursuant to which the Company issued Debentures in the principal amount of $525,000. Each debenture consists of $1,000 aggregate principal amount of secured, non-transferable, convertible, redeemable debentures maturing on December 31, 2019 and bear interest at a rate of 12% per annum.

The principal amount of the Debentures is convertible into common shares of the Company at the option of the holder at a price of $0.055 per Common Share. At the election of the debenture holder, any accrued and unpaid interest may be converted into Common Shares at the conversion price of $0.055, secured by a charge over all of the assets of the Company and shall rank pari passu in right of payment of principal and interest with all other Debentures issued under the Offering.

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. A former director of the Company participated in this private placement, purchasing $25,000 principal amount of Debentures.

The net proceeds of the Offering will be used to continue to fund the Company's phase II clinical trial for critical limb ischemia ("CLI") and for general working capital. All of the Debentures issued, and any securities into which they may be exchanged or converted, are subject to resale restrictions imposed by applicable law or regulation, a statutory hold period expiring four months and a day from the closing date of the Offering. The Company did not pay any finders fees in connection with the Offering as the loans were from related parties.

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does contain an equity conversion option, based on an estimated market interest rate of 13.5%. The difference between the $525,000 principal amount of the Debentures and the discounted fair value of the liability component of $521,389 was recognized in Shareholders' equity. Accretion of the liability component and accrued interest payable on the Debentures are included in finance expense in the Consolidated Statements of Loss and Comprehensive Loss (note 11).

7. Share Capital

(a) Authorized
Unlimited number of shares designated as Common Shares
Unlimited number of shares designated as Preferred Shares
The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. No preferred shares have been issued.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

(b) Issued and outstanding

	Number of common shares	Amount
Balance, December 31, 2017	**296,874,720**	**$ 30,741,184**
Exercise of warrants (a)	4,023,890	293,028
Balance, December 31, 2018 and 2019	**300,898,610**	**$ 31,034,212**

a) In 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 $201,645, and a fair value amount of $91,383 was transferred from warrants to share capital. In addition, 1,000 investor warrants were exercised into 1,000 common shares for cash proceeds of $500. [see note 8 (a)].

8. Warrants

The following table reflects the continuity of the investor warrants for the years ended December 31, 2019 and 2018:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	**108,408,269**	**$ 0.20**
Issued on exercise of agent warrants (a)	2,011,444	0.20
Exercised (a)	(1,000)	(0.50)
Balance, December 31, 2018	**110,418,713**	**$ (0.20)**
Expired (b)	(110,418,713)	0.20
Balance, December 31, 2019	**-**	**$ -**

A summary of the status of the Company's agent warrants as at December 31, 2019 and December 31, 2018 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	**8,422,741**	**$ 0.08**
Exercised (a)	(4,022,890)	(0.05)
Balance, December 31, 2018	**4,399,851**	**$ 0.11**
Expired (c)	(465,000)	(0.50)
Balance, December 31, 2019	**3,934,851**	**$ 0.06**

(Expressed in Canadian Dollars)

8. Warrants (continued)

a) During 2018, 1,000 investor warrants were exercised into 1,000 common shares for proceeds of $500. In addition, 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 $201,645. A fair value amount of $91,383 was transferred from warrants to share capital. As part of this exercise, a total of 2,011,444 whole Agent Unit Warrants were issued, which were exercisable into one common share at an exercise price of $0.20 per common share, until they expired on September 15, 2019.

b) During 2019, 110,418,713 investor warrants expired.
c) During 2019, 465,000 agent warrants expired.

As at December 31, 2019, the following warrants were issued and outstanding:

Expiry Date	Exercise Price	Number of Warrants and Agent Warrants
December 2, 2020	$ 0.65	77,780
September 15, 2020	$ 0.05	3,857,071
		3,934,851

9. Stock Options

	Number of Options	Weighted average exercise price
Balance, December 31, 2017	**21,437,230**	**$ 0.05**
Granted (c)	8,950,000	0.10
Expired (c)	(330,000)	(0.10)
Cancelled (c)	(640,000)	(0.10)
Balance, December 31, 2018	**29,417,230**	**$ 0.06**
Granted (a)	1,050,000	0.08
Expired/Forfeited (b)	(9,683,494)	(0.07)
Balance, December 31, 2019	**20,783,736**	**$ 0.10**

a) On March 29, 2019, the Company granted 1,050,000 stock options to Dr. Alan Jacobs, 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. The stock options granted have an exercise price of $0.08 and an expiry date of 5 years from the date of issue. These stock options will vest on a quarterly basis such that all stock options will be fully vested by August 1, 2021. In December 2019, Dr. Alan Jacobs resigned and as such, the additional 5,000,000 stock options were not granted.

On March 26, 2019, the vesting terms for a total of 1,500,000 stock options granted to a consultant and an officer 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. The Company has recognized an expense for these options over the new vesting period during the year ended December 31, 2019, which is included in stock- based compensation expense on the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

9. Stock Options (continued)

On March 26, 2019, the Company agreed to remove the vesting provisions and extend the expiry date of 5,933,494 stock options relating to the previous management company, whose contract expired in December 2018, in exchange for transition services provided from them. The expiry date of the stock options was extended to December 21, 2019 and the vesting provisions were modified to vesting 1/3 on the first anniversary of the grant and 2/3 on March 26, 2019. The Company recognized an expense for these options over the new vesting period during the year ended December 31, 2019 which is included in stock-based compensation expense on the consolidated statements of loss and comprehensive loss.

b) During the first quarter of 2019, one consultant and one officer resigned which resulted in the forfeiture of an aggregate of 1,750,000 stock options at a price of $0.10. During the third quarter of 2019, the former CFO of the Company had resigned and ceased providing services to the Company which resulted in the forfeiture of 750,000 stock options at a price of $0.10. During the third quarter of 2019, a consultant resigned, which resulted in the forfeiture of their 1,250,000 stock options at a price of $0.10. During the fourth quarter of 2019, 5,933,494 stock options at a price of $0.05 granted to the former management company expired (see note 9(a)).

c) In 2018, the Company granted a total of 8,950,000 stock options to certain directors, officers, consultants and Scientific Advisory Board members. The stock options all have an exercise price of $0.10 and an expiry date 5 years from the date of issue. The stock options granted have various vesting periods ranging from within 90 days of issuance to over a period of 3 years, while some of the stock options vest based on certain performance-based criteria, which are expected to be met over the next 2 years.

During 2018, 330,000 stock options at a price of $0.10 expired and 640,000 stock options at a price of $0.10 were cancelled, due to the expiration of a contract on September 1, 2018. The stock options were cancelled on November 30, 2018.

For the year ended December 31, 2019, the fair value of all stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 142% - 145%, risk-free interest rates of 1.5%, and an average expected life of five years. The fair value is amortized over the vesting period and $333,251 has been expensed during the year ended December 31, 2019 due to forfeitures of stock options.

For the year ended December 31, 2018, the fair value of all stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%,expected volatility of 145%-151%,risk-free interest rates of 1.4%-2.3%, and an average expected life of five years. The fair value is amortized over the vesting period and $1,636,143 has been expensed during the year ended December 31, 2018.

The following summarizes the stock options outstanding as at December 31, 2019:

Number of Options #	Exercise Price $	Weighted Average remaining life (years)
3,500,000	0.10	0.31
1,050,000	0.08	0.02
14,833,736	0.05	0.06
1,200,000	0.10	0.02
200,000	0.10	0.31
20,783,736	0.06	**0.41**

(Expressed in Canadian Dollars)

10. Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26% (2018 - 27%) to the effective tax rate is as follows:

	2019	2018
(Loss) before income taxes	**$ (4,869,801)**	$ (6,181,463)
Expected income tax (recovery)	**(1,266,148)**	(1,668,995)
Stock-based compensation and non-deductible expenses	**89,711**	443,120
Change in benefit of tax assets not recognized	**1,176,437**	1,225,875
Deferred income tax provision	**$ -**	$ -

The provisional tax rate in Alberta decreased from 12% to 11% during the year and is expected to decrease by 1% each year for the next three years to 8% by 2022.

Unrecognized deferred tax assets
Deferred taxes are provided as a result of temporary differences that arise due to the differences between the tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences

Deductible temporary differences		**2019**	**2018**
Equipment	**$**	**8,300**	$ 6,610
Share issue costs		**843,070**	1,357,750
Undepreciable tax cost of intangible assets		**14,627,610**	14,627,610
Non-capital losses - Canada		**28,974,560**	24,758,350
Non-capital losses - Cyprus		**-**	2,084,360
Capital losses carried forward - Canada		**-**	129,420
Deductible temporary differences not recognized	$	**44,453,540**	$ 42,964,100

The Canadian non-capital loss carry forwards expire as noted in the table below. The non-capital losses of the foreign subsidiaries have not been disclosed as the Company no longer has any significant foreign operations. The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available which the Company can utilize the benefits therefrom.

2025	$ 347,030
2026	2,934,190
2027	900,120
2028	642,600
2029	1,340,250
2030	661,800
2031	1,307,720
2032	572,060
2033	2,145,680
2034	279,000
2035	2,948,180
2036	2,842,550
2037	1,904,490
2038	5,115,010
2039	5,033,920
	$ 28,974,560

(Expressed in Canadian Dollars)

11. Finance Expense

	December 31, 2019	December 31, 2018
Finance expenses:		
Interest on bank deposits	$ -	$ (23,465)
Interest on convertible debentures, loans, bank and other	101,370	-
Accretion on convertible debentures	3,611	-
Balance, December 31, 2019	**$ 104,981**	**$ (23,465)**

12. Commitments & Contingencies

Commitments

Management Contract

The Company entered into a management contractor agreement with Kingsman Scientific Management Inc. ("KSM"), effective January 1, 2019. KSM is majority owned by Kyle Makofka, the former 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 subject to availability in the Company's stock option pool. No stock options were granted to KSM prior to the termination of the contract effective October 31, 2019.

On November 19, 2019, KSM and the Company agreed to the early termination of the KSM management services agreement, with such termination effective October 31, 2019.

Clinical Trial Costs

The Company is committed to payments totaling approximately $184,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. 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 30 to 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.

Dr. Elmar Burchardt Arbitration

On October 17, 2019, Dr. Elmar R. Burchardt ("Burchardt"), the Company's former CEO, commenced a formal arbitration over disputed amounts for unpaid salary, severance and benefits amounts allegedly owing to Burchardt after his resignation from the Company in January 2017. Burchardt seeks US$537,198 in arbitration. The Company believes Burchardt's demand is without merit and intends to defend its position.

12. Commitments & contingencies (continued)

Commitments (continued)

Aspire Lawsuit

On January 28, 2020, Aspire Health Sciences, LLC ("Aspire") filed a lawsuit against the Company in the Circuit Court of the Ninth Judicial Circuit (the "Florida Court") in Orange County Florida. This suit asserts claims regarding the recission of the Amended and Restated License Agreement between Aspire and the Company dated September 30, 2019 (note 4). The Company believes the Florida Court action is frivolous, without merit, and it intends to vigorously defend its position. On May 27, 2020 the Company filed an injunction against Aspire for the return of the Company's property.

13. Related Party 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, 2019, the Company incurred $1,264,479 (December 31, 2018 - $1,270,000) of research and development expenses to Aspire, a company related to Hemostemix by virtue of common management. Both the companies were controlled by the former CEO.

The following includes all compensation to key management personnel:

The Company incurred $447,047, in consulting fees to the former Chief Medical Officer, $6,572 in consulting fees to the Chief Scientific Officer and $565,095 in consulting fees to the management contractor, who is providing a Chief Executive Officer, Chief Financial Officer, accountant, clinical staff and other services, during the year ended December 31, 2019 (December 31, 2018 - $1,400,000).

The management contractor was also reimbursed $114,647 in travel and office maintenance expense during the year ended December 31, 2019 (December 31, 2018 - $91,348). Additionally, the management contractor provides office space for the Company and $77,494 of rental expense was included in office rent and office maintenance for the year ended December 31, 2019 (December 31, 2018 - $nil).

As at December 31, 2019, the Company had $1,055,544, accounts payable and accrued liabilities owing to the management company, contract manufacturing company, and Chief Medical Officer (December 31, 2018 - $390,542). This balance primarily relates to expenses paid on behalf of the Company some of which are subject to dispute (note 12).

The Company recorded share-based compensation expense for the year ended December 31, 2019 in the amount of $333,251 (December 31, 2018 - $1,636,143) to key management personnel and the former management contract company.

14. Financial instruments

Our financial instruments consist of cash, other receivables and accounts payable and accrued liabilities, convertible debentures and loans payable. As at December 31, 2019, there are no significant differences between the carrying values of these amounts and their estimated market values.

14. Financial instruments (continued)

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 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 a counterparty to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk on our cash, HST receivables and other receivables, 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, HST receivables and other receivables.

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. We mitigate this risk by investment of excess cash resources in investment grade vehicles while matching maturities with our operational requirements. The Company structures the large majority of its secured borrowing arrangements to maintain a fixed interest rate spread. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis.

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 debt 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 10% 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, 2019 by approximately $162,289. (December 31, 2018 - $174,990). The increase in the currency risk impact is due to a stronger USD/CAD exchange rate.

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

(Expressed in Canadian Dollars)

14. Financial instruments (continued)

Balances in foreign currencies at December 31, 2019 are as follows:

	US Dollar $
Cash	$ 10,034
Accounts payable and accrued expenses	(1,632,928)
Balance, December 31, 2019	**$ (1,622,894)**

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 and accrued liabilities, convertible debentures, loans payable all were due within a year.

As at December 31, 2019, the Company has a working capital deficit of $4,049,590 (December 31, 2018 – positive working capital of $487,799). As at December 31, 2019, the Company has an accumulated deficit of $41,473,508 (December 31, 2018 - $36,603,707) 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.

	2020	2021	2022	2023	2024	Thereafter
Accounts payable and accrued liabilities	$2,085,138	$ -	$ -	$ -	$ -	$ -
Loan payable	1,499,583	-	-	-	-	-
Convertible debentures	564,698	-	-	-	-	-
Total	$4,149,419	$ -	$ -	$ -	$ -	$ -

15. Subsequent Events

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

15. Subsequent Events (continued)

On January 9, 2020, J.M. Wood Investment Inc. (“JMWI”) sent the Company a Notice of Default and Demand for the immediate repayment of amounts owed to JMWI pursuant to the Company’s convertible debenture and demand loan agreement (note 6). Based on the repayment conditions of the debts, the Company took the position that the January 9 notice was premature. On January 24, 2020 JMWI. made an application to the Court of Queen’s Bench of Alberta for the issuance of an order appointing a receiver. The Company responded with a 347-page affidavit which was heard on January 31, 2020. On March 10, 2020, the Company paid $2,330,634 to counsel for JMWI in full satisfaction of the Court of Queen’s Bench of Alberta ruling, dated February 28, 2020 as full payment of the principal amount of both the Debenture ($500,000) and secured loan ($1,456,180), agreed interest on such amounts and recoverable costs claimed by JMWI. JMWI’s application for the appointment of a receiver was then dismissed. In accordance with the Order, counsel for JMWI consented to the discharge and release of the security granted to JMWI by the Company pursuant to each of the convertible debenture GSA and the secured debt facility GSA and any other security granted to JMWI by the Company in relation to the Loan Agreement or Debenture.

On January 28, 2020, the Company received an action from Aspire Health Science, LLC, filed with the Ninth Judicial Circuit Court for Orange County, State of Florida, in connection with the rescission of the Amended and Restated License Agreement by Hemostemix on December 5, 2019 due to Aspire's failure to meet the Condition Precedent of paying US$1,000,000 within 30 business days of September 30, 2019. The Company believes the action is frivolous, without merit, and it intends to vigorously defend its position.

On March 5, 2020, the Company announced that it had closed the initial tranche of its previously announced non-brokered private placement of units ("Units") for gross proceeds of up to $3,000,000 (the "Offering"). The first tranche of the offering consisted of the issuance of an aggregate of 254,620,442 Units at a price of $0.01 per Unit for gross proceeds of $2,546,204. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant ("Warrant"), with each full warrant entitling the holder to acquire one Common Share at a price of $0.05 per Common Share for a period of 12 months from the closing of the Offering, subject to an accelerated expiry provision, such that if, on any 10 consecutive trading days occurring after four months and one day has elapsed following the closing date of the Offering, the closing sales price of the Common Shares (or the closing bid, if no sales were reported on a trading day) as quoted on the TSX Venture Exchange Inc. is greater than $0.07 per Common Share, the Company may provide notice in writing to the holders of the Warrants by issuance of a press release that the expiry date of the Warrants will be accelerated to the 30th day after the date on which the Company issues such press release (the “Accelerated Expiry Provision”). A total of 31,172,320 of the Units issued concurrently with the closing of the Offering were issued to three directors of the Company on the same terms as the Offering. The Company paid eligible finders aggregate cash finders fees of approximately $101,315 and issued an aggregate of 10,131,520 finder warrants. Each finders warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.01 per Unit.

On March 26, 2020, the Company closed the second tranche of its previously announced non-brokered private placement of Units ("Units") for gross proceeds of up to $3,000,000. The second tranche of the offering consisted of the issuance of an aggregate of 17,750,000 Units at a price of $0.01 per Unit for gross proceeds of $177,500. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant ("Warrant"), with each full Warrant entitling the holder to acquire one Common Share at a price of $0.05 per Common Share for a period of 12 months from the closing of the Offering, subject to the Accelerated Expiry Provision. The Company paid eligible finders aggregate cash finders fees of approximately $12,600 and issued an aggregate of 1,260,000 finder warrants. Each finders warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.01 per Unit.

15. Subsequent Events (continued)

On May 7, 2020, the Company closed a non-brokered private placement of an aggregate of 129,150,000 units at a price of $0.01 per Unit, for gross proceeds of $1,291,500. Each Unit consists of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months from the closing of the offering, subject to the Accelerated Expiry Provision. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $35,680 and issued an aggregate of 3,568,000 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.01 per Unit.

On May 28, 2020, the Company closed a non-brokered private placement of 27,742,500 Units at a price of $0.01 per Unit, for gross proceeds of $277,425. Each Unit consists of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months for the closing of the offering, subject to the Accelerated Expiry Provision described above. A total of 13,472,500 of the units issued concurrently with the closing of the offering were issued to one director of the Company on the same terms. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $10,616 and issued an aggregate of 1,061,600 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.05 per Unit.

On July 9, 2020, the Company closed a non-brokered private placement of 26,650,000 Units at a price of $0.01 per Unit, for gross proceeds of $266,500. Each Unit consists of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months for the closing of the offering. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $16,800 and issued an aggregate of 1,680,000 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.05 per Unit.

Hemostemix Inc.

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

For the year ended December 31, 2019 and 2018 as at July 10, 2020

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", "we", "us" or "our") for the year ended December 31, 2019 and 2018. 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, 2019 and December 31, 2018 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 July 10, 2020. 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 the following:

- 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, 2020;

- belief that the results of ACP-01 research, trials and studies being equivalent to or better than previous research, trials, or studies as well as management's expectations of positive anticipated results regarding future clinical trials for ACP-01 for other indications;
- the Company's belief that the ACP-01 technology process can be commercialized more effectively than other technologies;
- our expectations regarding our ability to arrange for and scale up manufacturing or our products and 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 additional indications such as congestive heart failure and angina pectoris;
- 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;
- the level of activity, market acceptance and market trends in the healthcare sector;
- expectations regarding the performance of critical suppliers and service providers, including its clinical research organization ("CRO");
- expectations for additional commercialization partners;
- expectations for our ability to secure commercialization partners to develop our other technologies (NCP-01 and BCP-01);
- expectations with respect to existing and future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by us or to us pursuant to such arrangements;
- expectations regarding the outcome of current litigation;
- plans and objectives of management for future operations;
- our strategy with respect to the protection of our intellectual property;
- anticipated financial performance; and
- 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 may 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;
- negative results from the Company's clinical trial;
- the ability of the Company to complete its current CLI clinical trial and complete a satisfactory futility analysis and the results of such and future clinical trials;
- negative results of current litigation and potential litigation that the Company may face;
- risks associated with general business, economic, competitive, political, and social uncertainties;
- general capital market conditions and market prices for securities;
- delay or failure to receive board or regulatory approvals;
- risks associated with future developments in the Company's markets and the markets in which it expects to compete;
- lack of qualified, skilled labour or loss of key individuals;
- the viability and marketability of the Company's technologies;
- 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 to support operations;
- reliance on third parties to plan, conduct and monitor our clinical trials;
- risks related to the COVID-19 pandemic including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, service disruptions, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession;
- the potential impact that the COVID-19 pandemic may have on the Company may include a decreased demand for the services it offers and a deterioration of financial markets that could limit the Company's ability to obtain external financing; and
- 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 is a biotechnology Company whose principal business is to develop, manufacture and commercialize blood-derived stem 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 (the "Exchange") under the symbol "HEM". In October 2018, the Company was approved for 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 now trade on the OTC under the symbol "HMTXF". The Company's head office is located at 1150, 707-7th Avenue SW, Calgary, AB T2P 3H6.

The consolidated financial statements of the Company comprise the accounts of Hemostemix, 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 our intellectual property ("IP"). On October 1, 2018 management structured an arrangement to sell the IP from Kwalata to Hemostemix and planned the process to wind up Kwalata, but this is not yet completed (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 a patented stem cell technology platform whose principal business is to develop, manufacture and commercialize blood-derived stem cell therapies to treat various diseases not adequately addressed by current therapies. The Company's lead product, ACP-01 is the subject of a randomized, placebo-controlled, double blind Phase II clinical trial of its safety and efficacy in patients with advanced critical limb ischemia who have exhausted all other options to save their limb from amputation. Hemostemix has five families of patents related to its products and manufacturing processes. The intellectual property of the Company broadly covers synergetic cell populations that can be

differentiated into angiogenic cell precursors ("ACPs", including the lead cell product ACP-01), myocardial cell precursors ("MCPs"), neural cell precursors ("NCPs") and bone cell precursors ("BCP")

CORPORATE, PRODUCT AND CLINICAL TRIAL UPDATES

The following items highlight the Company's activities during the year ended December 31, 2019 and any subsequent events up until the date hereof.

Corporate Update

Management & Scientific Leadership

On March 29, 2019, Dr. Alan J. Jacobs, M.S.EE, M.D, Ph.D. was appointed the Company's President and Chief Medical Officer and on December 16, 2019 he resigned from the Company. Dr. Jacobs was 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, and oversight of the Company's current Phase II clinical trial for critical limb ischemia ("CLI"). On January 31, 2019, Dr. Ravi Jain resigned from the position of Chief Scientific Officer.

The Company entered into a new management contractor agreement with Kingsman Scientific Management Inc. ("KSM" or the "Management Contractor"), dated April 18, 2019 with an effective date of January 1, 2019, and announced on November 19, 2019 that it agreed to the early termination of the KSM management services agreement with such termination effective October 31, 2019

KSM is majority owned and controlled by Kyle Makofka, the former CEO of the Company. Pursuant to this agreement, KSM was to oversee and manage all aspects of the operations of Hemostemix, including the Company's current clinical trial, as well as assist it in identifying additional appointments to the Company's Board of Directors and management team.

The KSM agreement had a term of one year with an option for an additional one-year renewal period. KSM was compensated based on a fixed fee for key management personnel costs, support services, accounting and office rental for clinical trial operations at costs plus 15%, and was entitled to bonuses should it achieve costs savings for the current Phase II clinical trial. In addition, KSM was entitled to receive stock options to acquire common shares in the capital of the Company in an amount of up to five percent (5%) of the Company's total issued and outstanding common shares, subject to availability pursuant to the Company stock option plan. No stock options were granted to KSM prior to the termination of the contract effective October 31, 2019.

On June 25, 2019, Hemostemix announced the resignation of Ms. Kristin Gulka from the role of Chief Financial Officer, effective June 17, 2019. On July 11, 2019, the Company announced that Mr. Angus Jenkins, the Company's chairman of the board, agreed to act as the Company's interim Chief Financial Officer and Corporate Secretary.

On November 22, 2019, Hemostemix announced the resignation of Don Friesen from the Company's board of directors, effective November 21, 2019.

On November 29, 2019, Hemostemix announced the appointment of Mr. Thomas Smeenk, BA., to the Company's board of directors effective November 26, 2019.

On December 2, 2019, Hemostemix announced the appointment of Mr. Bryson Goodwin as a director of the Company's effective December 2, 2019.

On December 11, 2019, Hemostemix announced the appointment of Mr. David Wood to the position of Chairman, Mr. Yari Nieken as a Director, Bryson Goodwin to the position of Chief Executive Officer, Thomas Smeenk to the position of President and Natasha Server to the position of Chief Financial Officer.

On February 10, 2020, Hemostemix announced the appointment of Dr. Ronnie Hershman, M.D., F.C.C.S., to its Board of Directors, effective February 10, 2020. Dr. Hershman is a successful practicing cardiologist with over three decades of experience. Dr. Hershman graduated Magna Cum Laude from the Sophie Davis Center for Biomedical Research in 1980 and received his medical degree from Mount Sinai Medical Center in 1982. He then continued his medical and cardiovascular training at Mt. Sinai Medical Center. Dr. Hershman replaced Mr. Yari Nieken and Mr. Bryson Goodwin who both resigned from their positions with the Company effective February 10, 2020. Ms. Natasha Sever resigned from the position of CFO on the same date.

On March 19, 2020, the Company announced the election of Mr. Peter Lacey, ICD.D, as Chairman of its Board of Directors.

On April 9, 2020, the Company announced the appointment of Mr. Loran Swanberg to its Board of Directors and Ms. Christina Wu, CPA, CGA as its interim Chief Financial Officer, and the resignation of Mr. David L. Wood from the Board of Directors.

On June 3, 2020, the Company announced the appointment of Dr. Mary Argent-Katwala (Ph.D.) to the position of Manager, Clinical Trials.

Board of Advisors

In 2020, the Company formalized a Board of Advisors ("BoA"). The members of the BoA are all seasoned business leaders with diverse backgrounds and experience with government, legal, business, policy, and capital markets. The BoA members include: The Honorable Shiela Copps, OC, PC, Mr. Timothy C. Chang, B.A., Summa Cum Laude, and Mr. David H. Tsubouchi, B.A., J.D., LL.D., D.S.Litt., C.Dir.

Scientific Advisory Board

In 2018, Hemostemix formalized our Scientific Advisory Board ("SAB"). The members of our SAB are all leaders in their fields of expertise, which spans biochemistry, molecular biology, genomics, and medicine.

The SAB members include Dr. Alan Lumsden, M.D., Dr. Norman Wong, M.D., Dr. Kumar L. Hari, Ph.D., Dr. York Hsiang, M.B., Ch.B., MH.Sc., FRCSC and Dr. Pierre Leimmgruber, M.D., FACC.

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. He assumed his positions at Houston Methodist Hospital in 2008. Dr. Lumsden has developed an international reputation as a leader in the field of endovascular surgery. He conducts FDA mandated training for surgeons nationwide and has received significant funding for his research from the National Institutes of Health.

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. He has been invited to sit on more than 40 national or international panels and committees and has also acted as a consultant to several leading pharmaceutical companies, including Eli Lilly, Merck Frost, GlaxoSmithKline, Solvay Pharmaceuticals and Abbott Laboratories.

Dr. Kumar L. Hari, Ph.D. has been the Chief Science Officer at cBio Corp. ("cBio"), a private Company that provided infectious disease diagnostics and tracking. At cBio, Dr. Hari led the team in engagements with the FDA, various universities, and other US government organizations. Prior to working at cBio, he held business development and program management roles at Ibis Biosciences, Inc., and Abbott Molecular, Inc., where his work led directly to the spin-off of cBio. Dr. Hari has been a director of program management efforts at the California Institute of Regenerative Medicine and at the Myelin Repair Foundation.

On February 25, 2020, the Company announced the appointment of Dr. Pierre Leimgruber, M.D., FACC to its SAB. Dr. Pierre Leimgruber, M.D., FACC, is a specialist in the prevention and treatment of cardiovascular disease, is board-certified in internal medicine, cardiovascular diseases and interventional cardiology, and has worked for 32 years as an interventional cardiologist affiliated with four leading Spokane hospitals.

On March 16, 2020, the Company announced the appointment of Dr. York Hsiang, MB, ChB, MHSc, FRCSC to its SAB. Dr. York Hsiang, MB, ChB, MHSc, FRCSC is a professor of Vascular Surgery at the University of British Colombia and Consultant Surgeon at the Vancouver General Hospital. Dr. Hsiang has written or co-written and presented 165 continuing medical education accredited papers to peers at regional, national and international symposia focused on such diverse topics as a pressure-sensing smart stent compatible with angioplasty procedure and it's in vivo testing; vascular surgery; advanced venous issues; carotid surgery; and, he presented the Company's blinded results to the 41st annual meeting of the Canadian Society for Vascular Surgery, held September 13-14, 2019

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

Product Update

Angiogenic Cellular Precursor (ACP-01)

Our main product, ACP-01, is created from a process we discovered, developed and patented. From blood a synergetic cell population is isolated, cultured (expanded), differentiated into our products, then reinjected into the patient's ischemic tissue or organ(s). Our process for harvesting stem cells is less invasive, as the stem cells are taken from a patient's blood, which is a simplified process as compared to taking stem cells from fatty tissue or bone marrow. Hemostemix's proprietary technology is a personalized regenerative therapy that is administered to a patient within 7 days of the initial blood draw.

The current ACP-01 process uses the patient's own blood to treat vascular diseases of ischemia. Although an autologous process is beneficial in that there are no treatment rejection issues, often the patient 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. This is not the case with a healthy third-party donor blood. Our research may have determined how to take a blood sample from a young healthy donor, blood-type match it to a unhealthy patient and process the donor sample to produce a strong ACP-01 population that can be used to treat the ill patient. An allogeneic process may 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 potentially expanding the commercialization potential of our technology and platform.

Under the terms of the Original License Agreement with Aspire Health Science, LLC ("Aspire"), any Improvements are property of Hemostemix Inc. In addition, Aspire may have succeeded in refining our method of manufacturing in a way to reduce by 40% the manufacturing time for ACP-01. Currently, the manufacturing process takes five (5) days; however, the R&D may have proven it can be reduced to three (3) days. If so, we intend to verify the improvement and obtain approval from the US FDA and Health Canada to be able to use the refined manufacturing process.

Currently ACP-01 is the subject of our Phase II Clinical Trial for Critical Limb Ischemia (CLI). In addition, based on four open label studies and the compassionate care treatment of greater than 300 patients for end stage heart failure, we believe that ACP-01 has applications in the treatment of other vascular diseases such as cardiovascular disease, peripheral arterial disease, angina pectoris, acute myocardial infraction and others.

Regulatory Update for ACP-01

In the first quarter of 2019, the Company submitted an application to the US Food and Drug Administration ("FDA") for Orphan Drug Designation ("ODD") for ACP-01 for the treatment of patients with critical limb ischemia. The Orphan Drug Act provides for granting special status to a drug or biological product to treat a rare disease or condition upon request of a sponsor. The FDA defines rare diseases as those affecting fewer than 200,000 people in the United States at any given time. Our application sought ODD for the treatment of end-stage CLI patients. The FDA responded to the Company's application stating that based on the information and data they reviewed, ACP-01 had the potential to treat all patients suffering from CLI, not just those with end-stage CLI. Based on the potential for to treat such a large patient population, ACP-01 did not qualify for Orphan Drug Status.

Neural Cellular Precursor (NCP-01)

Aspire may have also initiated an R&D program for generation of NCP-01 (Neural Cellular Precursors) from peripheral blood. The Company will review these results and determine its next steps in the development of NCP-01. NCP-01 may be a product candidate as a treatment of ALS, Alzheimer's, and Parkinson's disease. No pre-clinical or clinical trials have been initiated using NCP-01.

Bone Cellular Precursor (BCP-01)

Aspire may have begun preliminary R&D work to generate BCP-01 (Bone Cellular Precursors) from peripheral blood. The Company will review these results and determine its next steps in its development. BCP-01 is a product candidate that has the potential to treat indications such as bone fractures, skeletal breaks, and surgical procedures. No pre-clinical or clinical trials have been initiated using BCP-01.

Intellectual Property

Our proprietary technologies are based on more than 16 years of clinical data, four open label studies and more than 300 patient treatments. Currently, Hemostemix is conducting a Phase II double blind clinical trial for its lead product ACP-01 as a treatment for critical limb ischemia ("CLI").

The Company continuously monitors its patent portfolio and vigorously defends its intellectual property rights. Subject to court order if necessary, Management will review all R&D work completed by Aspire to ascertain its impact on our intellectual property portfolio. The Company has over 91 patents issued in more than 25 jurisdictions.

The five patent families are:

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

Clinical Trial Updates

License Agreement and lawsuit

On November 19, 2019, the Company announced that it entered into an amended license agreement dated September 30, 2019, with Aspire (the "Amended License"). The Amended License was made to amend the original license agreement between the Company and Aspire, dated February 15, 2018 (the "Original License"), in respect of the Company's lead therapeutic product technology, ACP-01, granting Aspire exclusive rights to use, sell and import ACP-01 in certain jurisdictions. The terms of the Original License were set forth in a press release of the Company dated February 23, 2018. Under the terms of the Amended License, subject to the condition precedent, Aspire would have had the exclusive rights to use, sell and manufacture ACP-01 worldwide for the treatment of certain approved medical indications, namely coronary artery disease (CAD), peripheral artery disease (PAD), CLI, congestive heart failure (CHF) and other indications applicable to ACP-01, as well as related rights to manufacture ACP-01 at its Orlando, Fla., facilities for such purposes. Under the terms of the Amended License, Hemostemix was entitled to receive as a condition precedent an upfront payment of $1- million (U.S.) from Aspire "within 30 days of the date first written in the amended license" (September 30, 2019). The Company did not receive the $1,000,000. Consequently, the Amended License never came into effect and was a nullity. On December 5, 2019, the Company notified Aspire the License reverted to the original License Agreement of February 15, 2018.

On February 3, 2020, the Company received an action from Aspire, filed with the Ninth Judicial Circuit Court for Orange County, State of Florida. Due to Aspire's failure to meet the condition precedent, the Company believes the action is without merit, and it intends to vigorously defend its position.

On May 21, 2020, the Company announced that the Circuit Court of the Ninth Judicial Circuit, in and for Orange County Florida, ordered the case brought by Aspire be reassigned to the Business Litigation Court and ordered that all pending motions be brought into compliance within 20 days.

On June 3, 2020, the Company announced that it has retained DLA Piper, a global law firm, and filed for an injunction and replevin order to obtain its assets from Aspire before the Court of Queen's Bench, Alberta. As well, DLA Piper filed an amended motion to dismiss or stay the Aspire Complaint in the Complex Business Litigation Court of the Ninth Judicial Circuit, in and for Orange County, Florida.

The Company filed for an injunction before the Court of Queen's Bench, Alberta and was granted a hearing on June 18, 2020 at 10:00 MDT, to obtain a return of all of its assets including its clinical trial midpoint analyses. The Company has filed motions to dismiss or stay Aspire's cause of action in Florida State Court and has obtained a hearing before The Honorable John E. Jordan, on Thursday, June 25, 2020, at 1:45 p.m. and 2:15 p.m. The Motion to Stay Proceedings is pending a ruling on Hemostemix Motion to Dismiss, or, in the Alternative, Opposition to Aspire's Motion for Speedy Hearing will be heard at that time.

On June 19, 2020, the Company announced its motion for a Replevin Order (Return of Assets) was not heard. Rather a threshold argument ("Service Ex Juris") concerning jurisdiction over the electronic records of Hemostemix that Aspire holds was heard by the Court of Queen's Bench, Alberta.

On June 24, 2020, Hemostemix announced that, further to its June 19, 2020 news release, it filed a fast track appeal in relation to the Alberta Court of Queen's Bench erroneous service ex juris decision rendered on June 18, 2020. In addition, Hemostemix announced the Court issued supplemental reasons, reversing a key portion of the Court's previous decision issued a day earlier on the Replevin application.

On June 25, 2020 counsel for Hemostemix presented oral argument to the 9th Circuit Court in and for Orange County, Florida on its motion to dismiss Aspire's lawsuit on grounds that, among other things, Hemostemix's threshold challenge that it is not subject to jurisdiction in Florida. A decision on Hemostemix's motion is pending. In the meantime, the presiding judge has stayed a hearing on Aspire's Motion for a Speedy Hearing previously set for June 29, 2020 pending a decision on Hemostemix's motion to dismiss.

On July 3, 2020 the Company announced that on June 29, 2020, it filed a Verified Complaint and, on July 2, 2020, Motions for a Preliminary Injunction and Expedited Scheduling seeking to compel the immediate return of all clinical trial data from Defendant Accudata Solutions, Inc. ("Accudata") and enjoining Accudata from continuing to divulge and disclose such highly sensitive and confidential information to third parties who have no ownership or custodial right to it.

On July 6, 2020 the Company announced that the United States District Court for the District of Delaware granted an order for the expedited briefing schedule on Hemostemix's Injunction application seeking the immediate return of all clinical trial data from Accudata Solutions, Inc. ("Accudata") and that the Court scheduled a hearing on the preliminary injunction motion for July 15, 2020 at 8:30 a.m. ET.

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 build-up 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 will not 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). ACP-01 is an alternative to surgery, which, based on our prior clinical trials, we believe is safer and more cost effective, as no lengthy hospital stay or recovery time is needed. The prevalence of CLI is increasing, as CLI predominately affects the growing baby boomer population aged 50 and older. According to The Sage Group LLC, in the United States alone, approximately 20 million people are affected by PAD, and it is estimated that approximately 7-8 million people in the United States and Europe suffer from CLI. The Sage Group LLC estimates that in the United States, medical costs attributable to CLI amount to US$25 billion annually.

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.

On October 21, 2019, the Company was provided a summary of the presentation entitled "Autologous Stem Cell Treatment for CLI Patients with No Revascularization Options: An Update of the Hemostemix ACP-01 Trial with 4.5 Year Follow up" by the lead investigator, Dr. York Hsiang, who gave this update at the 41st Annual Canadian Society for Vascular Surgery Meeting, September 14, 2019. Dr. Hsiang reported on the blinded results from the long-term follow-up of the first cohort of patients enrolled at two trial sites, Vancouver Coastal Health Research Institute ("VCHRI") and the University Health Network, Peter Monk Cardiac Centre located in Toronto, Ontario, led by principal investigator Dr. Thomas Lindsay, MDCM, MSc, FRCSC, FACS.

Following is a summary of the results and conclusion:

- Twelve patients with CLI with no interventional options were enrolled at two treatment centers (10 male, 2 female, mean age 76)
- Prior to treatment, three patients had ischemic rest pain, eight patients had ulceration, and one patient had gangrene
- Study subjects were randomized 2:1 to receive injection of ACP-01 or placebo into their most affected lower extremity and followed for at least 1 year
- Healing of ulcers and resolution of ischemic rest pain occurred in 10 of the 12 patients (83%)
- There were no clinically significant safety issues
- Outcomes were maintained for up to 4.5 years. (3.5 years for two patients, 3 years for one patient, and one patient who died after ulcer healing secondary to congestive heart failure)

- These blinded preliminary results in the study are promising, and show an acceptable safety profile for ACP-01

ACP-01 has been used to treat over 300 patients for various conditions of ischemia.

Regulatory Update for ACP-01
Near the 2019 year end, the Company was to conduct a midpoint analysis, potentially stopping the clinical trial when 42 subjects have completed at least 26 weeks of follow-up. The Company awaits receipt of these results from Aspire.

Neural Cellular Precursor (NCP-01).

On January 7, 2020, the Company announced that it was issued its 91st patent for the generation of NCP-01 from peripheral blood. The patent, Production from Blood of Cells of Neural Lineage, was issued by Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Netherlands, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Monaco, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

Manufacturing Agreement

The initial term of the Manufacturing Agreement ("MA") with Aspire expired on January 31, 2019, but was extended pursuant to the terms of the MA until July 31, 2019. Subsequent to July 31, 2019, the Company and Aspire continued to operate under the same terms as the original agreement to October 31, 2019. The Company and Aspire did not complete a new MA and it lapsed on October 31, 2019. Aspire owns an FDA cGMP ("Certified Good Manufacturing Practices") facility located in Orlando, Florida. Up until October 31, 2019, the basic charges and pricing were fixed throughout the term. In addition to ordinary contract manufacturing provisions, the MA was also to provide Hemostemix with access to Aspire's laboratory and personnel for research and development ("R&D") purposes. Hemostemix was to have a dedicated workspace in Aspire's Orlando lab facility throughout the term of the MA and the freedom to conduct R&D work there at its discretion so long as it did not interfere with Aspire's production schedules. Any and all improvements to the Company's pre-existing technology or otherwise related to ACP-01, NCP-01, BCP-01 made pursuant to the MA were contracted to remain or become (upon discovery) the property of Hemostemix.

FINANCINGS

Loan Agreement

On July 31, 2019, the Company entered into a loan agreement providing up to $2 million in funding at an annual interest rate of 12%. As at December 31, 2019, advances totaling $1,437,911 were made to the Company. Pursuant to the loan agreement, the loan was secured by a general security agreement over the personal property of the Company. The loan was to be repaid the earlier of one year following the first advance or upon demand, any time after September 30, 2019, subject to at least 60 days written notice. The Company incurred $61,672 of interest expense as of December 31, 2019 which has been recorded as finance expense in the consolidated statement of loss and comprehensive loss.

Convertible debenture

On May 15, 2019, the Company completed the first closing of a non-brokered private placement of up to $1,000,000 of secured convertible debentures (the "CD Offering"), pursuant to which the Company issued Debentures in the principal amount of $525,000. Each debenture consisted of $1,000 aggregate principal amount of secured, non-transferable, convertible, redeemable debentures maturing on December 31, 2019, which featured an interest at a rate of 12% per annum. No further closings occurred pursuant to the CD Offering.

The principal amount of the Debentures was convertible into common shares of the Company at the option of the holder at a price of $0.055 per Common Share. At the election of the debenture holder, any accrued and unpaid interest may have been converted into Common Shares at the conversion price of $0.055. The debenture was secured by a charge over all of the assets of the Company which ranked pari passu in right of payment of principal and interest with all other Debentures issued under the Offering and other secured debenture offerings.

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. A former director of the Company, participated in this private placement, purchasing $25,000 principal amount of Debentures.

The net proceeds of the Offering were used to continue to fund the Company's phase II clinical trial for critical limb ischemia ("CLI") and for general working capital. All of the Debentures issued, and any securities into which they may have been exchanged or converted, were subject to resale restrictions imposed by applicable law or regulation, including a statutory hold period expiring four months and a day from the closing date of the Offering. The Company did not pay any finders fees in connection with the Offering.

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does contain an equity conversion option, based on an estimated market interest rate of 13.5%. The difference between the $525,000 principal amount of the Debentures and the discounted fair value of the liability component of $521,389 was recognized in Shareholders' equity. Accretion of the liability component and accrued interest payable on the Debentures were included in finance expense in the Consolidated Statements of Loss and Comprehensive Loss.

Stock Options and warrants

On March 29, 2019, 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. The stock options granted have an exercise price of $0.08 and an expiry date of 5 years from the date of issue. These stock options will vest on a quarterly basis such that all stock options will be fully vested by August 1, 2021. In December 2019, Dr. Alan Jacobs had resigned and as such, the additional 5,000,000 stock options were not be granted.

On March 26, 2019, the vesting terms for a total of 1,500,000 stock options granted to a consultant and

an officer 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. The Company has recognized an expense for these options over the new vesting period during the year ended December 31, 2019, which is included in stock- based compensation expense on the statement of loss and comprehensive loss.

On March 26, 2019, the Company agreed to remove the vesting provisions and extend the expiry date of 5,933,494 stock options relating to the previous management Company, whose contract expired in December 2018, in exchange for transitional assistance from them. The expiry date was extended to December 21, 2019 and the vesting provisions were modified to vesting 1/3 on the first anniversary of the grant and 2/3 on March 26, 2019. The Company recognized an expense for these options over the new vesting period during the year ended December 31, 2019 which is included in stock-based compensation expense on the statement of loss and comprehensive loss. These stock options expired unexercised.

During the year ended December 31, 2019, a total of 3,750,000 stock options with an exercise price of $0.10 granted to certain directors, officers and consultants expired or were forfeited.

During the year ended December 31, 2019 a total of 110,418,713 investor share purchase warrants and 465,000 agent warrants expired. No investor warrants nor agent warrants were issued during 2019.

Capital Raise

On March 5, 2020, the Company announced that it had closed the initial tranche of its previously announced non-brokered private placement of units ("Units") for gross proceeds of up to $3,000,000. The first tranche of the offering consists of the issuance of an aggregate of 254,620,442 Units at a price of $0.01 per Unit for gross proceeds of $2,546,204.42. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant ("Warrant"), with each full warrant entitling the holder to acquire one Common Share at a price of $0.05 per Common Share for a period of 12 months from the closing of the Offering, subject to the Accelerated Expiry Provision. A total of 31,172,320 of the Units issued concurrently with the closing of the Offering were issued to three directors of the Company on the same terms.

On March 26, 2020, the Company closed the second tranche of its previously announced non-brokered private placement of Units ("Units") for gross proceeds of up to $3,000,000The second tranche of the Offering consists of the issuance of an aggregate of 17,750,000 Units at a price of $0.01 per Unit for gross proceeds of $177,500. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant, with each full warrant entitling the holder to acquire one Common Share at a price of $0.05 per Common Share for a period of 12 months from the closing of the Offering, subject to the accelerated expiry provision. The Company paid eligible finders aggregate cash finders fees of approximately $12,600 and issued an aggregate of 1,260,000 finder warrants. Each finders warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.01 per Unit.

On May 7, 2020, the Company closed a non-brokered private placement of for an aggregate of 129,150,000 units at a price of $0.01 per Unit, for gross proceeds of $1,291,500. Each Unit consists of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months from the closing of the offering. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $35,680 and issued an aggregate of 3,568,000 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.01 per Unit.

On May 28, 2020, the Company closed a non-brokered private placement.t of 27,742,500 Units at a price of $0.01 per Unit, for gross proceeds of $277,425 (the "Offering"). Each Unit consists of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months for the closing of the offering. A total of 13,472,500 of the units issued concurrently with the closing of the offering were issued to one director of the Company on the same terms as of the Offering. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $10,616 and issued an aggregate of 1,061,600 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.05 per Unit.

On July 9, 2020, the Company closed a non-brokered private placement of 26,650,000 Units at a price of $0.01 per Unit, for gross proceeds of $266,500. Each Unit consists of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months for the closing of the offering. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $16,800 and issued an aggregate of 1,680,000 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.05 per Unit.

OUTLOOK

The Company continues to strongly believe in the technology based on results from four previous open label clinical trials as well as site reported positive results under the current clinical trial. Extensive research and development (“R&D”) work has been completed that demonstrates the manufacturing process can be optimized and eventually automated for both the autologous and allogenic procedures.

Our ability to accomplish all our future strategic plans is dependent upon obtaining additional financing or executing other strategic options and there is no assurance that we will achieve these objectives. Management will continue to pursue various options to raise additional funding, some which could be dilutive to existing shareholders. Alternatives for raising further capital could include the issuance of additional equity, debt, convertible debentures, government or partnership funding. We intend to seek commercialization partners for our therapy and development partners for accelerating clinical development of novel therapies for significant and unmet medical needs.

CONSOLIDATION AND PRESENTATION

Discontinued Operations

On October 1, 2018, management structured to sell the IP from Kwalata to Hemostemix and planned the process to wind up Kwalata. However, as at and for the year ended December 31, 2019, Kwalata's assets consisting of 91 patents and patent applications remain intact. Kwalata has no liabilities or net income.

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, 2019 and 2018.

	As at or for the Year Ended December 31, 2019 Total $	As at or for the Year Ended December 31, 2018 Total $
Total assets	**104,280**	1,662,256
Total liabilities	**4,149,419**	1,174,456
Total expenses from continuing operations	**(4,869,801)**	(6,181,463)
Net loss from continuing operations	**(4,869,801)**	(6,181,463)
Loss from discontinued operations, net of tax	**-**	(6,222)
Net loss and comprehensive loss	**(4,869,801)**	(6,187,685)
Loss per Share from continuing operations	**(0.02)**	(0.02)
Loss per share from discontinued operations	**-**	-
Weighted average number of shares outstanding	**300,898,610**	298,656,561

Total Assets decreased year over year as a result of using cash to fund the CLI phase II clinical trial, ongoing research and development and general and administrative expenses.

Total Liabilities increased year over year as a result of the issuance of the convertible debentures and secured loans obtained during the current year, as well as an increase in accounts payables and accrued liabilities.

Net loss from continuing operations Decreased year over year as a result of decreased overall activity by the Company and lower external costs (such as Contract Research Organization) achieved by performing more services in-house or through the use of other consultants versus third party service providers. The majority of the decrease relates to a decrease in research and development activity, consulting fees, management fees and legal fees were incurred, as a result of reduced operations after October 31, 2019, and the termination of several contracts as of this date; decrease in non-cash expenses such as stock option compensation which decreased as a result of stock option expirations and forfeitures. This was offset by non-cash expenses such as stock compensation which decreased as a result of stock option expirations and forfeitures, as well as an increase in finance expenses related to the issuance of secured debentures and incurred pursuant to the secured loan agreement.

Loss from discontinued operations, net of tax decreased in 2019 compared to 2018 as a result of the discontinuation in research and development and consulting expenses.

RESULTS OF OPERATIONS

Comparison of Expenses from Continuing Operations - ANNUAL	**Year Ended December 31** (audited)			
	2019 $	2018 $	Increase (Decrease) $	Increase (Decrease) %
Research and development	**2,351,181**	2,263,944	87,237	4%
Consultant and management fees	**1,347,762**	1,723,813	(376,051)	(22)%
Stock compensation expense	**333,251**	1,636,143	(1,302,892)	(80)%
Office rent and maintenance	**231,966**	199,339	32,627	16%
Professional fees	**315,684**	497,033	(181,349)	(36)%
Travel	**114,647**	102,827	11,820	11%
Foreign exchange gain (loss)	**68,641**	(218,171)	286,812	(131)%
Interest expense (income)	**104,981**	(23,465)	128,446	(547)%
Depreciation and amortization	**1,688**	-	1,688	-
Net loss from continuing operations	**(4,869,801)**	**(6,181,463**)	1,311,662	(21)%

Comparison of Expenses from Continuing Operations – Q4	**Three Months Ended December 31** (unaudited)			
	2019 $	2018 $	Increase (Decrease) $	Increase (Decrease) %
Research and development	**519,077**	812,482	(293,405)	-36%
Consultant and management fees	**307,016**	484,490	(177,474)	-37%
Stock compensation expense (recovery)	**(397,343)**	272,935	(670,278)	-246%
Office rent and maintenance	**17,383**	55,521	(38,138)	-69%
Professional fees	**101,820**	202,196	(100,376)	-50%
Travel	**5,112**	33,142	(28,030)	-85%
Foreign exchange (gain) / loss	**35,268**	(121,776)	157,044	-129%
Interest expense (income)	**22,474**	(16)	22,490	-140563%
Depreciation and amortization	**652**	-	652	100%
Net loss from continuing operations	**(611,459)**	(1,738,974)	1,127,515	-65%

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 provided services to conduct the clinical trials and for the costs of manufacturing laboratory which produced ACP-01 used in the clinical trials. Costs for the year and three months ended December 31, 2019 were $2,351,181 and $519,077 compared to $2,263,944 and $812,482 for the year and three months ended December 31, 2018. Although the number of patients enrolled in the trial increased from 2018 to 2019, in early 2019, the Company actively reduced clinical trial costs through performing more clinical trial related management services in-house which reduced the overall CRO costs incurred.

Consultant and management fees for the year ended December 31, 2019 were $1,347,762 compared to $1,723,813 for the year ended December 31, 2018 representing a decrease of $376,051 or 22%. The decrease is primarily due to the termination of the Management Contractor agreement effective October 31, 2019 and overall lower consulting services in the fourth quarter of 2019 in order to preserve financial resources.

Stock compensation expense for the year ended December 31, 2019 was $333,251 compared to $1,636,143 for the year ended December 31, 2018. The decrease is primarily due to the expiry and forfeiture of unvested stock options which occurred during the 2019 fiscal year, as a result of the resignation of various consultants, officers, and directors of the Company. The decrease in stock compensation is also due to a lower annual grant value in 2019 as compared to 2018 and the impact of the change in vesting terms for certain stock options issued in 2018.Stock options are granted to certain officers, directors, employees and consultants, with the number, term and vesting period of the options granted being determined at the discretion of the Company's board of directors and in conjunction with the terms of the Company's stock option plans, to a maximum of 10% of the outstanding Common Shares.

Office Rent and office maintenance expense for the year ended and three months ended December 31, 2019 was $231,966 and $17,383 compared to $199,339 and $55,521 for the year ended and three months ended December 31, 2018, representing an increase of $32,627 year over year and a decrease of $38,138 quarter over quarter. Office rent and maintenance includes office administration costs including rent, courier, and utilities as well as investor relations and communications costs. For the majority of the 2019 year end, the Company rented individual offices in a shared office space, whereas for the majority of 2019 the management contractor provided an office space for the Company in Calgary.

Professional fees for the year ended December 31, 2019 were $315,684 compared to $497,044 for the year ended December 31, 2018 representing a decrease of $181,360 or 36%.

Professional Fees	**2019**	2018
	$	$
Patent costs	**117,591**	147,105
Accounting & audit fees	**77,652**	99,749
Legal – clinical trial agreements	**28,125**	31,750
Legal - compliance	**52,836**	87,781
Legal - other	**(2,088)**	130,649
Investor Relations	**41,568**	-
Total	**315,684**	**497,044**

Professional fees decreased in 2019 as compared to 2018, primarily as a result of lower legal costs and accounting fees which were incurred relating to one-time occurrences such as the wind down of our foreign subsidiaries and costs associated with entering into the licensing and manufacturing agreements, whereas no such events took place in the same period of 2019. During the 2019 fiscal year, the Company utilized consultants to perform some work previously performed by legal counsel and postponed its 2019 annual general meeting, which also resulted in a decrease in legal costs.

Professional fees for the three months ended December 31, 2019 were $62,032 compared to $202,196 for the same period in 2018, representing a decrease of $140,164 or 69%.

Professional Fees	**Q4, 2019**	Q4, 2018
	$	$
Patent costs	4,683	43,820
Accounting & audit fees	64,033	56,515
Legal – clinical trial agreements	-	7,260
Legal - compliance	12,576	8,670
Legal - other	(21,040)	85,931
Investor Relations	1,781	-
Total	**62,032**	**202,196**

The decreases in professional fees quarter over quarter was primarily a result of lower legal costs that are one time in nature and the use of other consultants to assist with certain work that was previously performed by legal counsel, as well as reduced operations in the fourth quarter of 2019. Costs to maintain our patent portfolio decreased compared to the prior year due to costs that are one time in nature.

Travel expenses for the year and three months ended December 31, 2019 were $114,647 and $5,112 respectively, compared to $102,827 and $33,142 for the year and three months ended December 31,

2018. 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.

Depreciation expense for the year and three months ended December 31, 2019, totaled $1,688 and $652 respectively, compared to $nil in the corresponding periods of the prior year as a result of additional computer equipment acquired in the second quarter 2019.

Foreign exchange loss (gain) for the year ended December 31, 2019 was a loss of $68,641 compared to a gain of $218,171 for the year ended December 31, 2018, an increase of the loss in the amount of $286,812 or 131%. The change for both the 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. The loss in the current year relates to an unrealized foreign exchange loss due to lower US Currency holdings and the strengthening of the Canadian dollar against the US dollar.

Interest (income) expense, net for the year ended December 31, 2019 was an expenses of $104,981 compared to an income of $23,465 for year ended December 31, 2018 representing a change of $128,446 or 547%. Interest expense in 2019 relates to the interest on the secured loans payable and convertible debenture balance which was issued during the current year. 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.

QUARTERLY FINANCIAL INFORMATION

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

	Dec 31, 2019	Sept 30, 2019	June 30, 2019	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018	June 30, 2018	Mar 31, 2018
Net Loss ($)	(611,459)	(1,362,074)	(1,326,424)	(1,569,844)	(1,738,998)	(1,705,560)	(1,659,334)	(1,083,793)
Weighted Average # of Shares	300,898,610	300,898,610	300,898,610	300,898,610	300,801,231	299,025,877	297,482,782	296,874,720
Loss per Share ($)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.004)

LIQUIDITY AND CAPITAL RESOURCES

Hemostemix is a development stage Company that to date has had no net earnings, minimal revenue 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 options and 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, 2019, there was a net cash outflow from continuing operating activities of $3,403,747 compared to a net cash outflow of $2,683,088 for the year ended December 31, 2018, an increase in outflow of $720,659.

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

Increase in net loss from continuing operations for the period	$	1,311,662
Decrease in stock compensation expense		(1,302,892)
Decrease in interest expense		104,981
Depreciation expense		1,688
Movement of short-term investments to cash and cash equivalents		(1,254,659)
Change in other receivables and prepaid expenses		101,126
Change in HST receivable		116,417
Change in accounts payable and accrued liabilities		201,018
Decrease in the net cash used for continuing operations	$	(720,659)

As at December 31, 2019 the Company had working capital deficit of $4,049,590 compared to working capital of $487,799 at December 31, 2018, resulting in a decrease in working capital of $3,561,791. This lower working capital is a result of:

1) A decrease in cash of $1,446,974;
2) A decrease in HST receivable of $40,527;
3) A decrease in other receivables and prepaid expenses of $74,925;
4) An increase in accounts payable and accrued expenses of $910,682;
5) An increase in convertible debentures of $525,000;
6) An increase in loan payable of $1,437,911;

The main reason for the decrease in working capital is a result of the continuing operations of the Company with its focus on research and development of the Company's technology and increased enrollment in its clinical trial. The Company did not generate any revenues in 2019 and relied on debt funding to fund its operations in 2019, mainly through the issuance of the increase in convertible debentures and loans payable, as well as an increase in clinical trial activity.

Outstanding Share Data

As at December 31, 2019, the number of issued and outstanding common shares was 300,898,610 (December 31, 2018 – 300,898,610). As at July 10, 2020 the number of shares issued and outstanding is 756,811,552.

As at December 31, 2019, the Company had 20,783,736 stock options outstanding (December 31, 2018 – 29,417,230). As at July 10, 2020, the number of outstanding share purchase options was 1,850,000.

As at December 31, 2019, the Company had 3,934,851 share purchase warrants and agent warrants outstanding (December 31, 2018 – 114,818,564). As at July 10, 2020 the number of outstanding warrants was 477,548,913.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 in the 2019 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 annual consolidated financial statements as those used in our audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

Changes in Accounting Policies and Disclosure
IFRS 16 - Leases ("IFRS 16")

The Company adopted IFRS 16, which replaced IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. 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. The Company adopted the new standard on its effective date and there no impact to the Company's consolidated financial statements after using practical expedients as allowed within the standard. The Company has one lease agreement for office space which ended during the year.

COMMITMENTS

Consulting Agreement

The Company entered into a management contractor agreement with Kingsman Scientific Management Inc. ("KSM"), effective January 1, 2019. KSM is majority owned by Kyle Makofka, the former 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 entitled to 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, subject to availability in the Company's stock option pool.

On November 19, 2019, KSM and the Company agreed to the early termination of the KSM management services agreement, with such termination effective October 31, 2019.

Clinical Trial Costs

The Company is committed to payments totaling approximately $184,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. 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 30 to 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.

Dr. Elmar Burchardt Arbitration

On October 17, 2019, Dr. Elmar R. Burchardt ("Burchardt"), the Company's former CEO, commenced a formal arbitration over disputed amounts for unpaid salary, severance and benefits amounts allegedly owing to Burchardt after his resignation from the Company in January 2017. Burchardt seeks US$537,198 via arbitration. The Company believes Burchardt's demand is without merit and intends to defend its position vigorously.

Aspire Lawsuit

On January 28, 2020, Aspire filed a lawsuit against the Company in the Circuit Court of the Ninth Judicial Circuit (the "Florida Court") in Orange County Florida. This suit asserts claims regarding the recission of the Amended and Restated License Agreement between Aspire and the Company dated September 30, 2019. On June 3, 2020, the Company retained DLA Piper, a global law firm, and filed for an injunction against Aspire for the return of the Company's property. The Company is reviewing the related party transactions between the Company and each of J.M. Wood Investments Ltd. ("JMWI"), Jed Wood, Randi Wood, Blake Wood, REJ Investments, Wood Capital, Aspire, Kingsman Scientific Management, and Kyle Makofka and it believes the Aspire action is frivolous, without merit, and it intends to investigate each party and vigorously defend its position.

On February 21, 2020, the Court Queen's Bench of Alberta (the "Court"), after having heard the concerns raised by the Company with respect to an application by JMWI for the issuance of an order appointing a receiver, ordered that: (i) the application of JMWI be further adjourned to February 27, 2020; (ii) the Company provide Grant Thorton Limited, as court appointed agent, a copy of Thomas Smeenk's affidavit and unredacted copies of the exhibits (subscription agreements) no later than 4:00pm EST on February 21, 2020; (iii) provide additional rights to Grant Thorton Limited to prepare a report for the Court by February 27, 2020 to set out the viability and veracity of closing of the proposed financing of the Company by March 2, 2020; and (iv) comment on the ability and viability of the Company to repay JMWI in full.

On February 28, 2020, the Court issued an order dated February 28, 2020 dismissing JMWI's application for the appointment of a receiver upon the payment of funds to satisfy the secured indebtedness owed to JMWI. Pursuant to the Order, the Company must pay into trust with counsel for JMWI, or to such other person as otherwise agreed by the parties, by no later than March 9, 2020, the aggregate amount of $2,233,118.30 together with additional interest and recoverable costs claimed by JMWI accrued from February 20, 2020 through the date on which such payment into trust is received (the "Secured Amount").

On May 21, 2020, the Company announced that the Circuit Court of the Ninth Judicial Circuit, in and for Orange County Florida, ordered the case brought by Aspire, be reassigned to the Business Litigation Court and ordered that all pending motions be brought into compliance within 20 days. Hemostemix believes the claims are without merit and it will defend its legal positions. A hearing is scheduled for June 25, 2020.

On June 3, 2020, the Company announced it retained DLA Piper and filed for an injunction against Aspire, for the return of the Company's property. A hearing for the injunction was set for June 18, 2020 at 10:00 MDT before the Court of Queen's Bench, Alberta. Equally, the Company announced DLA Piper filed an amended motion to dismiss the Aspire Complaint in the Complex Business Litigation Court of the Ninth Judicial Circuit, in and for Orange County, Florida.

On June 8, 2020 the Company announced Aspire had no license to manufacture ACP-01, nor any manufacturing rights to Hemostemix's technology whatsoever and that Aspire had no right to sublicense the Company's technology, as any sublicense requires the approval of Hemostemix Inc., which was not granted. On the same date the Company announced Hemostemix's motions to dismiss or alternatively stay Aspire's cause of action in Florida State Court, challenging defective service, jurisdiction and other issues, was scheduled for hearing on June 25, 2020.

On June 19, 2020, the Company announced its motion for a Replevin Order (Return of Assets) was not heard. Rather a threshold argument ("Service Ex Juris") concerning jurisdiction over the electronic records of Hemostemix that Aspire holds was heard by the Court of Queen's Bench, Alberta. The Court determined that because the computers with the electronic records on them were located in Florida, Hemostemix will have to bring a Replevin Action in Florida.

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, 2019, the Company incurred $1,264,479 (December 31, 2018 - $1,270,000), of research and development expenses to Aspire, a company related to Hemostemix by virtue of common management. Kyle Makofka was the CEO of Aspire and is the former CEO of the Company, having resigned effective October 31, 2019.

The following includes all compensation to key management personnel:

The Company incurred $447,047, in consulting fees to the Chief Medical Officer, $6,572 in consulting fees to the Chief Scientific Officer and $565,095 in consulting fees to the management contractor, who is providing a Chief Executive Officer, Chief Financial Officer, accountant, clinical staff and other services, during the year ended December 31, 2019 (December 31, 2018 - $1,400,000).

The management contractor was also reimbursed $114,647 in travel and office maintenance expense during the year ended December 31, 2019 (December 31, 2018 - $91,348). Additionally, the management contractor provides office space for the Company and $77,494 of rental expense was included in lease and office maintenance for the year ended December 31, 2019 (December 31, 2018 - $nil).

As at December 31, 2019, the Company had $1,055,544 in accounts payable and accrued liabilities owing to the management company, contract manufacturing company, and Chief Medical Officer (December 31, 2018 - $390,542).

The Company recorded share-based compensation expense for the year ended December 31, 2019 in the amount of $333,251 (December 31, 2018 - $1,636,143) to key management personnel and the former management contract 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. One director of the Company, participated in this private placement, purchasing $25,000 principal amount of Debentures.

Other Notable Relationships

While the relationships disclosed below do not meet the accounting definition of a "Hemostemix Related Party", the Company felt the readers should be aware of the following relationships.

1. Jed M. Wood Relationships
    a. Jed. M. Wood
        i. Owns 100% of, and sole director of, JMWI
        ii. Father of Blake Wood and Randi Wood.
        iii. Prior to Feb 1, 2017, with Kyle Makofka (also as to 50%), a 50% indirect shareholder and a director of Drive Capital Corp.
    b. JMWI
        i. Owned 100% by Jed M. Wood.
        ii. Invested $500,000 in secured convertible debentures of the Company in 2019, which were fully repaid by the Company on March 9, 2020.
        iii. Provided a $2,000,000 demand loan facility to the Company in 2019, of which $1,437,911 was drawn by the Company in 2019, and subsequently fully repaid by the Company on March 9, 2020.
    c. Blake Wood
        i. Adult son of Jed M. Wood
        ii. Principal and controlling shareholder of Wood Capital Ltd.
    d. Wood Capital Ltd.
        i. Controlled by Blake Wood, the adult son of Jed M. Wood, and brother of Randi Wood.
        ii. A Barbados-based private equity investment firm.
        iii. Lender in the $4,400,000 secured debt financing (often called the Secured Credit Transaction) first announced on April 10, 2017.
        iv. Received 88,000,000 common shares of the Company on September 15, 2017 pursuant to the conversion of debt under the Secured Credit Transaction.
    e. Randi Wood
        i. Adult daughter of Jed M. Wood, and sister of Blake Wood.
        ii. As at February 22, 2018, wholly owns R.E.J. Investment Group, LLC, a California limited liability company, which wholly owns Drive Capital Holdings (USA), Inc., a Delaware corporation, which wholly owns Aspire, a Florida limited liability company.
2. Drive Capital Corp.
        i. Formerly owned 50% indirectly by Jed M. Wood and 50% by Kyle Makofka with Jed M. Wood and Kyle Makofka as its only directors at that time.

ii. In December, 2016, entered into a Management Contractor Agreement with the Company pursuant to which it would oversee and manage all aspects of the corporate reorganization of the Company in exchange for compensation based on 15% of the Company's total operating costs over the term of the agreement. The agreement expired in December 2018.
iii. Amalgamated with Quantum Petrophysics Inc. on February 1, 2017 to form Quantum Petrophysics Inc. Quantum Petrophysics Inc. then amalgamated with JMWI to form JMWI On December 1, 2018.

3. Kyle Makofka Relationships
    a. Aspire - As at February 22, 2018, sole Manager and President and Chief Executive Officer of Aspire, as well as the sole director of Drive Capital Holdings (USA), Inc., the sole shareholder of Aspire.
    b. Kingsman Scientific Management Inc. - sole director and controlling shareholder of Kingsman Scientific Management Inc.
    c. Drive Capital Corp. - managing director of Drive Capital Corp. and was formerly a 50% shareholder of, and one of two directors of, Drive Capital Corp.
4. Kingsman Scientific Management Inc.
    a. On April 18, 2019, entered into a contractor agreement, to be effective January 1, 2019 with the Company pursuant to which it would advise, manage, assist and support the Company in its day-to-day operations in order to effect the Company's business and strategic plans. This agreement was terminated on October 31, 2019.
    b. Management Agreement among Aspire and Kingsman Scientific Management Inc.

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, 2019, 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 a counterparty to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk on our cash, HST receivables and other receivables, 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.

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. We mitigate this risk by investment of excess cash resources in investment grade vehicles while matching maturities with our operational requirements. The Company structures the large majority of its secured borrowing arrangements to maintain a fixed interest rate spread. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis.

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 10% 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, 2019 by approximately $162,289. (December 31, 2018 - $17,449). The increase in the currency risk impact is due to a stronger USD/CAD exchange rate.

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

Balances in foreign currencies at December 31, 2019 are as follows:

	US Dollars
	$
Cash and cash equivalents	10,034
Accounts payable and accrued expenses	(1,632,928)
	(1,622,894)

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.

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. As at December 31, 2019, the Company has a working capital deficit of $4,049,590 (December 31, 2018 – positive working capital of $487,799). As at December 31, 2019, the Company has an accumulated deficit of $(41,473,508) (December 31, 2018 - $36,603,707) 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.

	2020	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Accounts Payable and accrued liabilities	$2,085,138	$ -	$ -	$ -	$ -	$ -
Loan	1,499,583	-	-	-	-	-
Convertible Debt	564,698	-	-	-	-	-
Total	**$4,149,419**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

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

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

On January 2, 2020, the Company announced a non-brokered private placement of up to 300,000,000 units (the "Units") at $0.01 per Unit for gross proceeds of up to $3,000,000.

On January 7, 2020, the Company announced it was granted its 91st patent for the generation of NCP-01 from peripheral blood. The patent, Production from Blood of Cells of Neural Lineage, was issued by Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Netherlands, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Monaco, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

On January 9, 2020, JMWI sent the Company a Notice of Default and Demand for the immediate repayment of the Company's previously announced convertible debenture and demand loan (note 6). Based on the repayment conditions of the debt, the Company took the position that the January 9th notice was premature. On January 24, 2020 JMWI made an application to the Court of Queen's Bench of Alberta for the issuance of an order appointing a receiver. The Company responded with a 347-page affidavit which was heard on January 31st, 2020. On March 10, 2020, the Company paid $2,330,633.84 to counsel for JMWI in full satisfaction of the Court of Queen's Bench of Alberta, dated February 29, 2020. JMWI's application for the appointment of a receiver is now dismissed. In accordance with the Order, counsel for JMWI consented to the discharge and release of the security granted to JMWI by the Company pursuant to each of the convertible debenture GSA and the secured debt facility GSA and any other security granted to JMWI by the Company in relation to the Loan Agreement or Debenture.

On January 17, 2020, the Company announced the 20th clinical trial site was activated and the 56th trial subject was enrolled as of December 31, 2019.

On January 28, 2020, the Company announced the appointment of Dr. Ronnie Hershman, M.D., F.C.C.S., to its Board of Directors.

On February 3, 2020, the Company received an action from Aspire, filed with the Ninth Judicial Circuit Court for Orange County, State of Florida, in connection with the Amended and Restated License Agreement just signed by Hemostemix on December 5, 2019. Due to Aspire's failure to meet the Condition Precedent of paying US$1,000,000 within 30 business days of September 30, 2019, the Company believes the action is frivolous, without merit, and it intends to vigorously defend its position.

On February 21, 2020, the Court Queen's Bench of Alberta (the "Court"), after having heard the concerns raised by the Company with respect to an application by JMWI for the issuance of an order appointing a receiver, ordered that: (i) the application of JMWI be further adjourned to February 27, 2020; (ii) the Company provide Grant Thorton Limited, as court appointed agent, a copy of Thomas Smeenk's affidavit and unredacted copies of the exhibits (subscription agreements) no later than 4:00pm EST on February 21, 2020; (iii) provide additional rights to Grant Thorton Limited to prepare a report for the Court by February 27, 2020 to set out the viability and veracity of closing of the proposed financing of the Company by March 2, 2020; and (iv) comment on the ability and viability of the Company to repay JMWI in full.

On March 5, 2020, the Company announced that it had closed the initial tranche of its previously announced non-brokered private placement of units ("Units") for gross proceeds of up to $3,000,000 (the "Offering"). The first tranche of the offering consists of the issuance of an aggregate of 254,620,442 Units at a price of $0.01 per Unit for gross proceeds of $2,546,204. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant ("Warrant"), with each full warrant entitling the holder to acquire one Common Share at a price of $0.05 per Common Share for a period of 12 months from the closing of the Offering, subject to the accelerated expiry provision. A total of 31,172,320 of the Units issued concurrently with the closing of the Offering were issued to three directors of the Company on the same terms as the Offering.

On March 10, 2020, the Company announced that it has paid $2,330,633.84 to counsel for JMWI in full satisfaction of the Court of Queen's Bench of Alberta Order, dated February 28, 2020.

On March 16, 2020, the Company announce the passing of Roger Bergersen, the principal founder of TheraVitae Inc. (now Hemostemix) who passed away in his sleep on February 27, 2020.

On March 19, 2020, the Company announced the election of Mr. Peter Lacey, ICD.D as Chairman of its Board of Directors.

On March 26, 2020, the Company closed the second tranche of its previously announced non-brokered private placement of Units ("Units") for gross proceeds of up to $3,000,000 ("Offering"). The second tranche of the Offering consists of the issuance of an aggregate of 17,750,000 Units at a price of $0.01 per Unit for gross proceeds of $177,500. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant ("Warrant"), with each full Warrant entitling the

holder to acquire one Common Share at a price of $0.05 per Common Share for a period of 12 months from the closing of the Offering, subject to the accelerated expiry provision. The Company paid eligible finders aggregate cash finders fees of approximately $12,600 and issued an aggregate of 1,260,000 finder warrants. Each finders warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.01 per Unit.

On April 7, 2020, the Company announced the appointment of the Honorable Sheila Copps, OC, PC, to its Board of Advisors.

On April 9, 2020, the Company announced the appointment of Mr. Loran Swanberg to its Board of Directors.

On April 21, 2020, the Company announced the appointment of Timothy C. Chang B.A, to its Board of Advisors.

On April 22, 2020, the Company filed an update on the status of filing its audited annual financial statements, the accompanying management discussion and analysis, and its related CEO and CFO certifications, for the fiscal year ended December 31, 2019.

On April 29, 2020, the Company announced its non-brokered private placement was increased from $450,000 to $1,223,200 of units (the “Units”) at $0.01 per Unit.

On April 30, 2020, the Company announced the appointment of David H. Tsubouchi, B.A., J.D., LL.D., D.S.Litt., C.Dir. to its Board of Advisors.

On May 7, 2020 the Company completed its Annual Special Meeting of Shareholders on May 6,2020, noting that all motions put forward by management were approved by Shareholders, including the consolidation of the common shares on a one (1) new share for each 20 shares issued.

On May 7, 2020, the Company closed a non-brokered private placement of for an aggregate of 129,150,000 units at a price of $0.01 per Unit, for gross proceeds of $1,291,500. Each Unit consists of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months from the closing of the offering. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $35,680 and issued an aggregate of 3,568,000 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.01 per Unit.

On May 21, 2020 the Company announced that the Circuit Court of the Ninth Judicial Circuit, in and for Orange County Florida, ordered the case brought by Aspire, be reassigned to the Business Litigation Court and ordered that all pending motions be brought into compliance within 20 days.

On May 28, 2020, the Company closed a non-brokered private placement of 27,742,500 Units at a price of $0.01 per Unit, for gross proceeds of $277,425 (the "Offering"). Each Unit consists of one common share

and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months for the closing of the offering. A total of 13,472,500 of the units issued concurrently with the closing of the offering were issued to one director of the Company on the same terms as of the Offering. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $10,616 and issued an aggregate of 1,061,600 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.05 per Unit.

On June 3, 2020 the Company announced it retained DLA Piper, a global law firm, and filed for an injunction against Aspire for the return of the Company's property, and that the hearing for the injunction was set for June 18, 2020 at 10:00 MDT before the Court of Queen's Bench, Alberta.

On June 3, 2020, the Company announced the appointment of Dr. Mary Argent-Katwala, Ph.D., to the position of Manager, Clinical Trials.

On June 8, 2020, the Company announced Aspire did not have a license to manufacture ACP-01, nor any manufacturing rights to Hemostemix's technology, nor did they have the right to sublicense the Company's technology.

On June 24, 2020, the Company announced it filed a fast track appeal in relation to the Alberta Court of Queen's Bench erroneous service *ex juris* decision rendered on June 18, 2020 in relation to Hemostemix's Replevin application seeking access to and a copy of Hemostemix's own property which is being wrongfully withheld from Hemostemix by Aspire. In addition, Hemostemix announced that on June 19, 2020, the Court issued supplemental reasons, reversing a key portion of the Court's previous decision issued a day earlier on the Replevin application.

On June 30, 2020 the Company announced a bi-weekly update on the status of the management cease trade order granted on June 17, 2020 (the "**MCTO**") by its principal regulator, the Alberta Securities Commission, under National Policy 12-203 – *Management Cease Trade Orders* ("**NP 12-203**"), following the Company's announcement on June 16, 2020 (the "**Default Announcement**") that it was unable to file its audited annual financial statements, management's discussion and analysis and related certifications for the fiscal year ended December 31, 2019 (the "**Documents**") on or before June 15, 2020, as required under applicable securities laws, and that the Company expected to file the Documents by July 15, 2020.

On July 3, 2020 the Company announced that on June 29, 2020, it filed a Verified Complaint and, on July 2, 2020, Motions for a Preliminary Injunction and Expedited Scheduling seeking to compel the immediate return of all clinical trial data from Defendant Accudata Solutions, Inc. ("**Accudata**") and enjoining Accudata from continuing to divulge and disclose such highly sensitive and confidential information to third parties who have no ownership or custodial right to it. Also on July 3, 2020, the Company announced that, further to its May 28, 2020 news release in relation to the timing of the filing of its interim financial statements for the period ended March 31, 2020, the Corporation expected to file such documents on or prior to July 14, 2020.

On July 6, 2020 the Company announced that the United States District Court for the District of Delaware granted an order for the expedited briefing schedule on Hemostemix's Injunction application seeking the immediate return of all clinical trial data from Accudata Solutions, Inc. ("Accudata") and that the Court scheduled a hearing on the preliminary injunction motion for July 15, 2020 at 8:30 a.m. ET.

On July 9, 2020, the Company closed a non-brokered private placement of 26,650,000 Units at a price of $0.01 per Unit, for gross proceeds of $266,500. Each Unit consists of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of $0.05 per common share, for a period of 12 months for the closing of the offering. In connection with the offering, the Company paid eligible finders aggregate cash finders fees of approximately $16,800 and issued an aggregate of 1,680,000 finder warrants. Each finder warrant is exercisable for a period of 12 months from the closing date to acquire Units at a price of $0.05 per Unit.

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, 2019, 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 failure. 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, 2019 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.

COVID-19

Due to the worldwide COVID-19 pandemic, material uncertainties may arise that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on labour availability and supply lines;
- Availability of government supplies, such as water and electricity;
- Purchasing power of the Canadian and United States dollars; and
- Ability to obtain funding

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.