HEMOSTEMIX INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 a net loss during the year ended December 31, 2020 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainty exists and 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.

MNP LLP

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.

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

April 30, 2021

Licensed Public Accountants

MNP LLP

Hemostemix Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2020	As at December 31, 2019
ASSETS		
Current Assets		
Cash	**$ 257,951**	$ 24,064
Subscriptions receivable	**1,928,415**	-
HST/GST receivable	**89,193**	62,448
Other receivables and prepaid expenses	**45,517**	13,317
Total Current Assets	**2,321,076**	99,829
Equipment (note 5)	**2,002**	4,450
Intangible assets (note 4)	**1**	1
Total Assets	**$ 2,323,079**	$ 104,280
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (note 13)	**$ 3,246,775**	$ 2,085,138
Convertible debentures (note 6b)	-	564,698
Loans payable (note 6a)	**175,000**	1,499,583
Total Liabilities	**3,421,775**	4,149,419
Shareholders' Deficiency		
Share capital (note 7)	**37,893,756**	31,034,212
Warrants (note 8)	**1,537,421**	439,707
Contributed surplus	**8,712,132**	5,954,450
Deficit	**(49,242,005)**	(41,473,508)
Total Shareholders' Deficiency	**(1,098,696)**	(4,045,139)
Total Liabilities and Shareholders' Deficiency	**$ 2,323,079**	$ 104,280

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

Incorporation, 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

Hemostemix Inc.

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating expenses		
Research and development	**$ 650,050**	$ 2,351,181
Consulting (note 13)	**927,804**	1,347,762
Stock-based compensation (notes 9 and 13)	**2,321,587**	333,251
Office expenses (note 13)	**288,407**	231,966
Professional fees	**3,271,081**	315,684
Loss on settlement of debt through shares (note 7)	**$ 79,862**	-
Travel (note 13)	**4,977**	114,647
Foreign exchange loss	**109,247**	68,641
Finance expense (note 11)	**113,034**	104,981
Depreciation and amortization (note 5)	**2,448**	1,688
Net loss and comprehensive loss for the year	**$ (7,768,497)**	$ (4,869,801)
Basic and diluted net loss per share	**$ (0.241)**	$ (0.324)
Weighted average number of common shares outstanding - Basic	**32,240,572**	15,044,931

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, 2020	Year Ended December 31, 2019
Operating activities		
Net loss for the year	**$ (7,768,497)**	$ (4,869,801)
Items not affecting cash:		
Stock-based compensation (note 9)	**2,321,587**	333,251
Finance expense	**106,049**	104,981
Depreciation expense (note 5)	**2,448**	1,688
Foreign exchange	**109,247**	-
Loss on settlement of debt through shares	**79,862**	-
Changes in non-cash working capital items:		
Subscriptions receivable	**(1,928,415)**	-
Other receivables and prepaid expenses	**(32,200)**	74,925
HST / GST receivable	**(26,745)**	40,527
Accounts payable and accrued liabilities	**1,161,637**	910,682
Net cash used in operating activities	**(5,975,027)**	(3,403,747)
Investing activities		
Purchase of equipment	**-**	(6,138)
Net cash used in investing activities	**-**	(6,138)
Financing activities		
Proceeds from issuance of convertible debentures	**-**	525,000
Proceeds from private placement (note 7)	**8,765,294**	-
Finders fees paid (note 7)	**(706,859)**	-
Repayment of convertible debentures (note 6(b))	**(576,863)**	-
Repayment of loans (note 6(a))	**(3,341,937)**	-
Proceeds from loans (note 6(a))	**2,069,279**	1,437,911
Net cash provided by financing activities	**6,208,914**	1,962,911
Net change in cash	**233,887**	(1,446,974)
Cash, beginning of year	**24,064**	1,471,038
Cash, end of year	**$ 257,951**	$ 24,064
Supplemental Information		
Finders' warrants issued for services	**$ 525,498**	$ -
Shares issued to pay interest	**$ 61,858**	$ -
Shares issued to settle debt	**$ 329,737**	$ -

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, 2018	15,044,931	$ 31,034,212	$ 3,136,394	$ 2,920,901	$ (36,603,707)	$ 487,800
Equity portion of convertible debentures issued	-	-	-	3,611	-	3,611
Stock-based compensation (note 9)	-	-	-	333,251	-	333,251
Expiry of warrants	-	-	(2,696,687)	2,696,687	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(4,869,801)	(4,869,801)
Balance, December 31, 2019	15,044,931	$ 31,034,212	$ 439,707	$ 5,954,450	$ (41,473,508)	$ (4,045,139)
Issuance of common shares in private placement, net of share issuance costs (note 7)	39,241,349	7,564,478	-	-	-	7,564,478
Issuance of broker warrants	-	-	499,138	-	-	499,138
Issuance of warrants (note 8)	-	(1,034,671)	1,034,671	-	-	-
Common shares issued for debt	1,249,372	329,737	-	-	-	329,737
Stock-based compensation (note 9 and 13)	-	-	-	2,321,587	-	2,321,587
Expiry of warrants	-	-	(436,095)	436,095	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(7,768,497)	(7,768,497)
Balance, December 31, 2020	**55,535,652**	**$ 37,893,756**	**$ 1,537,421**	**$ 8,712,132**	**$ (49,242,005)**	**$ (1,098,696)**

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 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. 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 of Kwalata. This transaction was not completed and Kwalata remains a wholly owned subsidiary of Hemostemix Inc., and continues as an IP holding company. 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 $7,768,497 for the year ended December 31, 2020, (December 31, 2019 - net loss of $4,869,801) and had accumulated deficit of $49,242,005 (December 31, 2019 - $41,473,508). The Company used cash in operating activities of $5,975,027 (December 31, 2019 - $3,403,747) and, as of that date the Company’s current liabilities exceeded their current assets by $1,100,699 (December 31, 2019 – $4,049,590). 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 give rise to material uncertainty that raises 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, 2020 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this uncertainty. The Company's ability to continue to operate is dependent upon continuing financial support.

These consolidated financial statements were approved by the Company's Board of Directors on April 30, 2021.

COVID-19

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. COVID restricted travel and caused some related delays in business development.

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.

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.

2. Significant Accounting Policies (Continued)

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. 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, subscriptions receivable, 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 derecognition 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.

2. Significant Accounting Policies (Continued)

Classification and measurement (continued):

Financial Assets (continued):

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.

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.

2. Significant Accounting Policies (Continued)

Financial Instruments (continued)

Impairment (continued)

IFRS 9 requires that the Company 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.

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.

2. Significant Accounting Policies (Continued)

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 and share purchase warrants, 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, 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.

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.

2. Significant Accounting Policies (Continued)

Convertible Debentures
Convertible debentures are initially recorded at amortized cost and accounted for as compound financial instruments 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.

New accounting standard adopted

IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

IFRS 3 Definition of a Business (Amendment)

The IASB has issued Definition of a Business (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs
- narrow the definition of a business and the definition of outputs
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business

This amendment is effective for annual periods beginning on or after January 1, 2020. Managements does not anticipate any material impact from the adoption of this policy.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

2. Significant Accounting Policies (Continued)

New accounting standard not yet adopted

IAS 1 Classification of Liabilities as Current or Non-Current (Amendment)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022 and is to be applied retrospectively. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

3. Wholly-Owned Subsidiary

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

The Israel operations had current assets of $1,784 as at December 31, 2020 (December 31, 2019 - $1,784) and current liabilities of $nil as at December 31, 2020 (December 31, 2019 - $nil).

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 12).

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 (December 31, 2019 - $1).

During the year, 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 the criteria for deferral (December 31, 2019 - $nil).

(Expressed in Canadian Dollars)

4. Intangible Assets (continued)

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

5. Equipment

		Computers
Cost		
Balance - December 31, 2019	$	6,138
Balance - December 31, 2020	**$**	**6,138**
Accumulated depreciation		
Balance - December 31, 2019	$	(1,688)
Additions		(2,448)
Balance - December 31, 2020	**$**	**(4,136)**
Net book value		
As at December 31, 2019	$	4,450
As at December 31, 2020	**$**	**2,002**

6. Loans and Borrowing

(a) Secured Credit Facility:

On August 12, 2019, the Company obtained a loan agreement providing up to $2 million in funding at an annual interest rate of 12%. Advances totaling $1,437,911 were made to the Company which were paid in full as at December 31, 2020. The Loan is secured by general security agreement over the personal property of the Company. During the year ended December 31, 2020, the Company incurred $51,403 of interest expense (year ended December 31, 2019 - $61,672) which has been recorded as finance expense in the consolidated statements of loss and comprehensive loss.

On March 9, 2020, the Company received advances totaling $1,700,000 with an annual interest rate of 12% from a director of the Company, these amounts were unsecured. The interest balance outstanding on the loan was repaid in shares and cash in December 2020. During the year ended December 31, 2020, the Company incurred $42,510 of interest expense (December 31, 2019 - $nil) which has been recorded as finance expense in the consolidated statements of loss and comprehensive loss. As at December 31, 2020, there is no outstanding balance on these advances.

On November 9, 2020, the Company received two short term advances totaling $150,000 with an annual interest rate of 10% from two directors of the Company. This balance was fully repaid on December 15, 2020. During the year ended December 31, 2020, the Company incurred $nil of interest expense (year ended December 31, 2019 - $nil). As at December 31, 2020, there was a balance outstanding of $nil.

On December 30, 2020, the Company received interest free advances totaling $175,000 from a consultant of the Company, these amounts are unsecured. During the year ended December 31, 2020, the Company incurred $nil of interest expense (year ended December 31, 2019 - $nil). As at December 31, 2020, there was a balance outstanding of $175,000. This balance was fully repaid subsequent to year end.

On December 31, 2020, the Company received interest free advances totaling $194,279 from a director of the Company, these amounts are unsecured. During the year ended December 31, 2020, the Company incurred $nil of interest expense (year ended December 31, 2019 - $nil). As at December 31, 2020, there was a balance outstanding of $194,279 which is grouped in accounts payable. This balance was fully repaid subsequent to year end.

(Expressed in Canadian Dollars)

6. Loans and Borrowing (Continued)

(b) Convertible Debenture:

	Number of Convertible Debentures	Liability Component	Equity Component
Convertible debentures, balance at December 31, 2018	**525**	$ 521,389	$ 3,611
Accretion on discount	**-**	3,611	-
Interest	**-**	39,698	-
Balance at December 31, 2019	**525**	**$ 564,698**	**$ 3,611**
Interest	**-**	12,165	-
Repayment	**(525)**	(576,863)	-
Balance at December 31, 2020	**-**	**$ -**	**$ 3,611**

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 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. During the year ended December 31, 2020, the Company repaid 525 of the Debentures which were outstanding with a principal balance and interest of $576,863. As at December 31, 2020, there are no outstanding Debentures.

The principal amount of the Debentures is convertible into common shares of the Company at the option of the holder at a price of $1.10 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 $1.10, 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 related company of the Company participated in this private placement, purchasing $500,000 principal amount of Debentures, as well as one 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 be exchanged or converted, were 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).

(Expressed in Canadian Dollars)

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.

On December 30, 2020, the Company completed a share consolidation of its share capital on a basis of twenty (20) then existing common shares for one (1) new common share consolidation. All common shares, per common share amounts, warrants and stock options in these audited consolidated financial statements have been retroactively restated to reflect the share consolidation.

(b) Issued and outstanding

	Number of common shares	Amount
Balance, December 31, 2018 and December 31, 2019	**15,044,931**	**$ 31,034,212**
Private placement net of share issuance costs (i)(ii)(iii)(iv)	39,241,349	7,564,478
Fair value of warrants	-	(1,034,671)
Shares issued for debt (v)	1,249,372	329,737
Balance, December 31, 2020	**55,535,652**	**$ 37,893,756**

i) In the first quarter of 2020, the Company closed a non-brokered private placement consisting of an aggregate of 13,618,522 units at a price of $0.20 per Unit for gross proceeds of $2,723,044. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $220,311 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $113,915 as well as granted 569,576 agent warrants with a fair value of $87,816, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.20 per unit (note 8).

ii) In the second quarter of 2020, the Company closed a non-brokered private placement consisting of an aggregate of 7,844,625 units at a price of $0.20 per Unit for gross proceeds of $1,568,925. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $191,182 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $46,296 as well as granted 231,480 agent warrants with a fair value of $39,489, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.20 per unit (note 8).

iii) In the third quarter of 2020, the Company closed a private placement consisting of an aggregate of 1,332,500 units at a price of $0.20 per Unit for gross proceeds of $266,500. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $10,996 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $16,800 as well as granted 84,000 agent warrants with a fair value of $6,492, which are exercisable for a period of 12 months from closing, to acquire units at a price of $1.00 per unit (note 8).

(Expressed in Canadian Dollars)

7. Share Capital (continued)

(b) Issued and outstanding (continued)

iv) On November 25, 2020, the Company closed a private placement consisting of 918,450 units at a price of $0.20 per Unit for gross proceeds of $183,690. Each unit consisted of one common share. Purchase warrants were valued at $8,233 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months.

On December 18, 2020, the Company closed a private placement consisting of 6,360,585 units at a price of $0.20 per Unit for gross proceeds of $1,272,117. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $105,498 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $40,180 as well as granted 240,900 agent warrants with a fair value of $6,810, which are exercisable for a period of 12 months from closing, to acquire units at a price of $1.00 per unit (note 8).

On December 31, 2020, the Company closed a private placement consisting of 9,166,667 units at a price of $0.30 per Unit for gross proceeds of $2,750,000. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $498,451 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees aggregate cash finder's fees of approximately $218,320 as well as granted 733,334 agent warrants with a fair value of $362,142, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.30 per unit (note 8).

v) During the year ended 2020, the Company issued 1,249,372 common shares at a deemed unit price of $0.20 per common share to settle $249,874 of debt owed to various arm's length parties and one non-arm's length party of the Company. The Company incurred total losses of $79,862 in the Consolidated statement of loss and comprehensive loss.

vi) During the year ended 2020, the Company incurred additional share issuance costs of $262,198 which was related to the financing completed during the year.

8. Warrants

The following table reflects the continuity of the investor warrants for the years ended December 31, 2020 and 2019:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	**5,520,936**	**$ 4.00**
Expired (a)	(5,520,936)	(4.00)
Balance, December 31, 2019	**-**	**$ -**
Granted (b) (c) (d) (f)	39,241,349	1.00
Balance, December 31, 2020	**39,241,349**	**$ 1.00**

(Expressed in Canadian Dollars)

8. Warrants (continued)

A summary of the status of the Company's broker warrants as at December 31, 2020 and 2019 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018, December 31, 2019	**196,743**	**$ 2.20**
Granted (b) (c) (d) (f)	1,859,290	0.02
Expired (e)	(196,743)	(1.00)
Balance, December 31, 2020	**1,859,290**	**$ 0.02**

a) During the year ended December 31, 2019, 5,520,936 investor warrants expired unexercised.

b) In conjunction with the private placement in March 2020, the Company issued 13,618,522 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 569,576 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 1.5%-1.56%, and an average expected life of 12 months.

c) In conjunction with the private placement in May 2020, the Company issued 7,844,625 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 231,480 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 1.28%-1.35%, and an average expected life of 12 months.

d) In conjunction with the private placement in July 2020, the Company issued 1,332,500 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 84,000 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 1.14%, and an average expected life of 12 months.

e) In conjunction with the private placement in November 2020, the Company issued 918,450 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 0.65%, and an average expected life of 12 months.

f) During the year ended December 31, 2020, 196,743 broker warrants expired unexercised.

(Expressed in Canadian Dollars)

8. Warrants (continued)

g) In conjunction with the private placement on December 18, 2020, the Company issued 6,360,585 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 240,900 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 0.55-0.51%, and an average expected life of 12 months.

h) In conjunction with the private placement on December 31, 2020, the Company issued 9,166,667 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 733,334 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.30 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $0.30 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 0.55-0.51%, and an average expected life of 12 months.

As at December 31, 2020, the following warrants were issued and outstanding:

Expiry Date	Exercise Price	Number of Warrants and Broker Warrants
March 5, 2021	$ 1.00	12,731,022
March 5, 2021	$ 0.20	506,576
March 25, 2021	$ 1.00	887,500
March 25, 2021	$ 0.20	63,000
May 7, 2021	$ 1.00	6,457,500
May 7, 2021	$ 1.00	178,400
May 28, 2021	$ 1.00	1,387,125
May 28, 2021	$ 0.20	53,080
July 9, 2021	$ 1.00	1,332,500
July 9, 2021	$ 1.00	84,000
November 25, 2021	$ 1.00	918,450
December 18, 2021	$ 1.00	6,360,585
December 18, 2021	$ 1.00	240,900
December 31, 2021	$ 1.00	9,166,667
December 31, 2021	$ 0.30	733,334
		41,100,639

(Expressed in Canadian Dollars)

9. Stock Options

	Number of Options	Weighted average exercise price
Balance, December 31, 2018	**1,470,862**	**$ 1.20**
Granted (a)	52,500	1.60
Cancelled (b)	(484,175)	(2.00)
Balance, December 31, 2019	**1,039,187**	**$ 1.20**
Granted (d)	5,274,500	0.70
Forfeiture (c)	(971,687)	(1.60)
Balance, December 31, 2020	**5,342,000**	**$ 0.70**

a) On March 29, 2019, the Company granted 52,500 stock options to Dr. Alan Jacobs, an officer of the Company and committed to granting an additional 250,000 stock options to the officer as they become available in the option pool. The stock options granted have an exercise price of $1.60 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 250,000 stock options will not be granted.

On March 26, 2019, the vesting terms for a total of 75,000 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, 2020, which is included in stock-based compensation expense on the consolidated statement of loss and comprehensive loss.

On March 26, 2019, the Company agreed to remove the vesting provisions and extend the expiry date of 296,675 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 statement 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 87,500 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 37,500 stock options at a price of $2. During the third quarter of 2019, a consultant resigned, which resulted in the forfeiture of their 62,500 stock options at a price of $2. During the fourth quarter of 2019, 296,675 stock options at a price of $1 granted to the former management company expired.

c) During the year ended December 31, 2020, there was a forfeiture of an aggregate of 971,687 stock options at a price of $1.00 as a result of the former CEO of the Company's resignation. During the year ended December 31, 2020, there was a forfeiture of an aggregate of 741,687 stock options at a price of $1.00, 177,500 stock options at a price of $2.00, and 52,500 stock options at a price of $1.60 as a result of the resignation of six employees.

d) On December 31, 2020, the Company granted 5,274,500 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of $0.70 and an expiry date of December 31, 2025. 3,887,100 of these stocks will vest immediately. The remaining 1,387,400 stock options will vest 50% immediately with the remaining 50% fully vested on December 31, 2021. The fair value of the stock options were estimated on the date of grant using the Black Scholes model with the following assumptions: expected volatility of 100%, risk-free interest rate of 1.14% and an average expected life of 5 years.

(Expressed in Canadian Dollars)

9. Stock Options (continued)

The following summarizes the stock options outstanding as at December 31, 2020:

	Number of Options #	Exercise Price $	Weighted Average remaining life (years)
August 26, 2023	57,500	2.00	0.02
August 1, 2023	10,000	2.00	2.58
December 31, 2025	5,274,500	0.70	4.94
	5,342,000		**4.97**

10. Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 25% (2019 - 26%) to the effective tax rate is as follows:

	2020	2019
(Loss) before income taxes	**$ (7,768,497)**	$ (4,869,801)
Expected income tax (recovery)	**(1,942,120)**	(1,266,148)
Stock-based compensation and non-deductible expenses	**580,460**	89,711
Share issuance cost booked directly to equity	**(300,110)**	-
Change in benefit of tax assets not recognized	**1,661,770**	1,176,437
Deferred income tax provision	**$ -**	$ -

The provisional tax rate in Alberta decreased from 11% to 10% 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	2020	2019
Equipment	**$ 10,740**	$ 8,300
Share issue costs	**1,381,900**	843,070
Undepreciable tax costs of intangible assets	**14,627,610**	14,627,610
Non capital losses carried forward	**35,080,380**	28,674,560
Deductible temporary differences not recognized	**$51,100,630**	$44,153,540

(Expressed in Canadian Dollars)

10. Income Tax (continued)

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 share issuance costs will be fully amortized in 2024.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	642,570
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
2040	6,105,810
	$35,080,380

11. Finance Expense

	December 31, 2020	December 31, 2019
Finance expenses:		
Interest on convertible debentures, loans, bank and other	106,049	101,370
Accretion on convertible debentures	-	3,611
Other financial expenses	6,985	-
Balance, December 31, 2020	**$ 113,034**	**$ 104,981**

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 was to 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 had a term of one year, with an option to renew for an additional one year period. KSM was to be compensated based on a fixed fee for key management personnel costs, support services, accounting and office rental, at a cost plus 15% of the clinical trial operations costs. KSM was entitled to bonuses should it achieve costs savings. In addition, KSM was entitled to be granted stock options to acquire up to 5% of the common shares in the capital of the Company, subject to availability in the Company's stock option pool. No stock options were granted to KSM prior to the termination of the contract in 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

In 2019, the Company averaged approximately $184,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. In 2020, the clinical trial costs dropped to an average of approximately $ 80,000 per month, as more patients were completing their 12 months of follow up. The timing and dollar amount can vary by month depending on amount of clinical trial activity taking place. In 2021, the monthly cost of patient follow ups will continue to decline as all of the patient follow ups will be completed by the end of April 2021.

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)

Contingencies (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 rescission of the Amended and Restated Licence 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 July 2, 2020, a Preliminary Injunction application was conducted and the Company is awaiting a decision on that injunction application. In addition, the Company was granted leave to file an amended complaint to include claims against Aspire and did so on July 27, 2020.Aspire filed a Motion to Dismiss Hemostemix's amended complaint on August 14, 2020 and Hemostemix filed a response to Aspire's Motion to Dismiss on August 28, 2020. On November 27, 2020, the Company had obtained from Medrio, Inc. ("Medrio"), a copy of its entire clinical trial database that was being hosted by Medrio relating to the HS12-01 clinical trial for ACP-01 therapy. Medrio has denied, and will continue to deny, in perpetuity, Aspire, and any of Aspire's employees, officers, agents, consultants, or representatives from accessing the Company's ACP-01 clinical trial database through the Medrio platform.

Accudata Lawsuit

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 and that the Court scheduled a hearing on the preliminary injunction motion for July 15, 2020. The Company is currently awaiting a decision from the judge.

On August 24, 2020, Accudata filed a Motion to Dismiss Hemostemix's amended complaint and Hemostemix filed a response to Accudata's Motion to Dismiss on September 8, 2020. This action was filed by Hemostemix against Medrio on October 28, 2020 in the Northern District of California. Medrio provides a software platform for hosting clinical research data owned by Hemostemix. Under threat of litigation by Aspire, Medrio refused to return or provide access to the clinical trial data to Hemostemix. Hemostemix's complaint asserts various contract and tort claims against Medrio. Medrio immediately contacted Hemostemix to settle the matter and return Hemostemix's data. A settlement agreement was executed in November 2020 and the matter is now closed.

On March 30, 2021, the United States District Court for the District of Delaware has denied Aspire's Motion to Dismiss except as to Count VII (fraud), denied Accudata Motion to Dismiss in its entirety, and denied the Company's preliminary injunction application. The Court also denied Aspire's and Accudata's Motions to Stay, thereby allowing all claims against Aspire and Accudata, except Count VII, to proceed without further delay.

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, 2020, the Company incurred $nil (December 31, 2019 - $1,264,479), of research and development expenses to Aspire, a company related to Hemostemix by virtue of former management. Both companies, Aspire and Hemostemix, were controlled by the former CEO of Hemostemix.

13. Related Party Transactions (continued)

The following includes all compensation to key management personnel:

The Company incurred $nil, in consulting fees to the former Chief Scientific Officer, $nil in consulting fees to the Chief Medical Officer and $nil in consulting fees to the former management contractor, who is providing a Chief Executive Officer, Chief Financial Officer, accountant, clinical staff and other services, during the year ended December 31, 2020 (December 31, 2019 $571,667).

The former management contractor was reimbursed $23,651 in travel and office maintenance expense during the year ended December 31, 2020 (December 31, 2019 - $114,647). Additionally, the former management contractor provides office space for the Company and $nil of rental expense was included in lease and office maintenance for the year ended December 31, 2020 (December 31, 2019 - $77,444).

The Company recorded share based compensation expense for the year ended December 31, 2020 in the amount of $64,124 (December 31, 2019 - $333,251 respectively) to the former management contract company and personnel.

As at December 31, 2020, the Company had $1,044,564 in accounts payable and accrued liabilities owing to the previous management company, previous contract manufacturing company, and previous Chief Medical Officer (December 31, 2019 $1,044,544). The majority of this balance arose based on expenses paid on behalf of the Company. Some of these expenditures are subject to dispute. Please see note 12.

On March 9, 2020, the Company received advances totaling $1,700,000 with an annual interest rate of 12% from a director of the Company. Please see note 6.

From the period October 29, 2020 to December 15, 2020, two directors of the Company provided a bridge loan in an aggregate amount of $150,000 with an annual interest rate of 10%. This amount was fully repaid prior to year end. Please see note 6.

On December 31, 2020, the Company received interest free advances totaling $194,275 from a director of the Company. Please see note 6.

For the Year ended December 31, 2020, the Company expensed $277,077 (Year ended December 31, 2019 - $nil) to Thomas Smeenk for consulting services. As at December 31, 2020, Thomas was owed $31,841 (December 31, 2019 - $nil) and this amount was included in accounts payable and accrued liabilities.

The Company recorded share based compensation expense for the year ended December 31, 2020 of $2,385,711 (December 31, 2019 -$nil) to the current management and directors of the 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, 2020, 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.

(Expressed in Canadian Dollars)

14. Financial instruments (continued)

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

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

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. The Company are exposed to interest rate risk through our cash. The Company 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.

The Company mitigate our exposure to interest rate risk on loans as the Company utilizes fixed rates.

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, The Company are exposed to currency risk from the purchase of goods and services in the United States. In addition, the Company 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, 2020 by approximately $209,663 (December 31, 2019 - $162,289).

The Company 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, 2020 are as follows:

	US Dollar
Cash	$ 3,882
Accounts payable and accrued liabilities	(2,100,509)
Balance, December 31, 2020	**$ (2,096,627)**

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company 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, 2020, the Company has a working capital deficit of $1,100,699 (December 31, 2019 – $4,049,590). As at December 31, 2020, the Company has an accumulated deficit of $49,242,005 (December 31, 2019 - $41,473,508) 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.

(Expressed in Canadian Dollars)

14. Financial instruments (continued)

Liquidity risk (continued)

	2020	2021	2022	2023	2024	Thereafter
Accounts payable and accrued liabilities	$3,246,775	$ -	$ -	$ -	$ -	$ -
Loan	175,000	-	-	-	-	-
Total	$3,421,775	$ -	$ -	$ -	$ -	$ -

15. Subsequent Events

On February 11, 2021, The Company announced the TSX-V had granted approval to amend the exercise price and expiration date of 13,618,522 outstanding warrants previously issued in connection with non-brokered private placements which closed on March 5, 2020 and March 25, 2020 (the “Original Private Placements”).

Of the 13,618,522 Warrants of the Company that were scheduled to expire on March 5, 2021 and March 25, 2021 9,300,311 were repriced to $0.55 each and the expiry date extended to March 5, 2023 and March 25, 2023. In accordance with TSX-V policies, the Warrants are amended to include an acceleration clause whereunder the exercise period of Warrants will be reduced to thirty (30) days, if, for any ten consecutive trading days during the unexpired term of the Warrants, the closing price of the Company’s listed shares achieves or exceeds the price of 120% of the applicable exercise price ($0.66). The 30-day expiry period commences on the day the Company either (i) disseminates a press release or (ii) sends a written notice to the holders of the Warrants advising of the commencement of the exercise period. The remaining 4,318,211 Warrants, which were all held by Insiders, were not repriced but were extended by 2 years from their original expiry date.

In connection with the offering that closed December 18, 2020 the Company failed to compensate two finders who assisted with the private place for gross proceeds of $1,272,117. The Company will pay the finders a cash finder's fee of $60,249 which has been accrued as at December 31, 2020 and issued finders options on March 21, 2021 entitling the finder to purchase 261,247 units of the Company at a price of $1.00 within 12 months of the original closing date. Each unit is compromised of one common share and one purchase warrant, with each warrant entitling the holder to acquire one common share at a price of $1.00 within 12 months of the closing date.

On April 8, 2021, the Company announced that it is trading on the Frankfurt Stock Exchange under symbol 2VFO.F and it has engaged HE Capital Markets Ltd. to design and implement an North American and European multimedia digital advertising campaign on certain investor-focused and financial market websites.

On April 23, 2021, the Company announced the completion of the Phase II Clinical Trial subject follow up, as the 65th (final) subject has completed their last follow-up visit. With subject follow up now completed the Company is shifting its focus to completing the data analyses and reporting associated with finalizing their Phase II Clincial Trial.

Subsequent to year end, 711,242 broker warrants were exercised, resulting in the issuance of 711,242 common shares and 711,242 purchase warrants of the Company and 9,200 broker warrants expired unexercised in March of 2021.

Hemostemix Inc.

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

For the year ended December 31, 2020 and 2019 as at April 30, 2021

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Hemostemix Inc. (the "Company", "Hemostemix", "we", "us" or "our") for the year ended December 31, 2020 and 2019. 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 year ended December 31, 2019 and 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 April 30, 2021. Additional information relating to the Company is available on SEDAR at as well as the Company's website at www.hemostemix.com.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding:

- belief that the Company will be successful in raising additional capital to continue as a going concern;
- belief that its products and research and development efforts are targeting diseases and conditions with significant unmet medical treatment needs;
- the Company's goal of creating shareholder value;
- its ability to meet its operating costs for the twelve months ended December 31, 2021;
- 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 as effectively or more effectively than other technologies;
- our expectations regarding our ability to arrange for and scale up manufacturing of 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 critical limb ischemia ("CLI"), including the patient completion numbers, anticipated number of trial sites and timing of final 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);
- 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 litigation;
- plans and objectives of management for future operations;
- our strategy with respect to the protection of our intellectual property ;
- final 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, 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 suite 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 Inc. and planned the process to wind up Kwalata. However, this transaction was not completed (see "Wholly-Owned Subsidiary") 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 "Wholly-Owned Subsidiary").

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 therapeutics. 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 CLI who have exhausted all other options to save their limb from amputation. Hemostemix owns 91 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) and neural cell precursors ("NCPs").

CORPORATE, PRODUCT AND CLINICAL TRIAL UPDATE

The following items highlight the Company's activities during the years ended December 31, 2020 and any subsequent development up until the date hereof.

Corporate Update

Management Leadership

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 February 25, 2020, the Company announced the appointment of Dr. Pierre Leimgruber, MD, FACC to its Scientific Advisory Board ("SAB"), as a specialist in the prevention and treatment of cardiovascular disease (CVD). Dr. Leimgruber is board-certified in internal medicine, cardiovascular diseases, and interventional cardiology and he has worked for 32 years as an interventional cardiologist, affiliated with four leading Spokane hospitals. Dr. Leimgruber also serves as Clinical Associate Professor of Medicine at the University of Washington School of Medicine in Seattle. Dr. Leimgruber received his medical degree from University of Zurich Medical School and trained with Andreas Gruentzig, MD, the inventor of balloon angioplasty, at Emory University Hospital in Atlanta. Dr. Leimgruber is the author of 26 peer-reviewed research studies published in leading medical journals.

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

On March 19, 2020, the Company announced the election of Mr. Peter Lacey, ICD.D, as Chairman of its Board of Directors. Mr. Lacey is currently the Chairman of Cervus Equipment Corporation (CERV.TO), a company he and his partners started in 1999 and built from five John Deere dealerships into a company that owns 63 dealerships selling six brands in three countries with revenues of $1.1 Billion, paying a quarterly dividend of $0.11 per share. Mr. Lacey has been Chairman of Cervus Equipment since inception, and was President and Chief Executive Officer

of Cervus Equipment Corporation and its predecessor entities from 1982 to April 2012. Mr. Lacey is a graduate of the Institute of Corporate Directors Education Program at the University of Toronto.

On April 7, 2020, the Company announced the appointment of the Honorable Sheila Copps, OC, PC, to its Board of Advisors. Sheila was the Deputy Prime Minister of Canada, Minister of Environment, Minister of Heritage and a senior member of the federal cabinet for 10 years. Ms. Copps has had a storied career that has left an indelible mark on Canadian public policy.

On April 7, 2020, the Company announced the Board of Directors ratified Thomas Smeenk as President and Chief Executive Officer.

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. Mr. Swanberg is a successful businessman who increased his ownership of the Company from 0.8% in 2019 to 7.8% in 2020. Mr. Swanberg has been part owner and a director of a private company, Landsman Properties Ltd. ("Landsman") since 2005. Landsman owns and leases out shop and office space in North East British Columbia and Alberta. From 1992 to 2005, Mr. Swanberg was a director of the family owned oilfield transportation company, Swanberg Bros. Trucking Ltd. The company was purchased by Producers Oilfield Services Inc. in 2005. Mr. Swanberg was also director of privately held Swanberg Air Inc. from 2000 to 2012, and was a director of the Northern B.C. Truckers' Association for 10 years, 1992 to 2002. Most recently, Mr. Swanberg was a partner and director of Vieworx Geophoto Inc. from 2012 until Q1 2020.

On April 21, 2020, the Company announced the appointment of Timothy C. Chang to its Board of Advisors. Mr. Chang is currently a Private Investor and an investment committee member of an Asian-based hedge fund with average total AUM of approximately US$1 billion. He has also been a consultant to Newport Healthcare Advisors and to SSG Capital Management. Mr. Chang is a renowned private equity investor who has a track record of successful special situations and venture capital business investments throughout the Asian region.

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. Mr. Tsubouchi is the first Japanese Canadian to be elected to any provincial legislature in Canada and to be appointed as a Cabinet Minister. He has served as the Minister of Consumer and Commercial Relations, Solicitor General, Chair of Management Board and Minister of Culture. Mr. Tsubouchi sits on the boards of OMERS Pension Fund, Lakefront Utilities and the Ontario Arts Council. He has previously served as the Honourary Consul General of Mongolia. As the former Registrar and CEO of the Ontario College of Trades he oversaw the regulation of the skilled trades in Ontario. He has also served as the Integrity Commissioner for the Town of Richmond Hill. His book, Gambatte was nominated for the Speaker's Book Award and the Heritage Toronto Book Award.

On June 3, 2020, the Company announced the appointment of Dr. Mary Argent-Katwala (Ph.D.) to the position of Manager, Clinical Trials. Dr. Argent-Katwala earned her PhD in molecular biology from the Institute of Cancer Research, University of London, UK and her MA (Hons.), Biological Sciences at Newnham College, University of Cambridge, UK. Previously, Dr. Argent-Katwala was Director, Diagnosis & Clinical Care at the Canadian Partnership Against Cancer, Toronto, ON where she created a portfolio of high-impact investments to address key issues in the diagnosis and treatment of cancer. Prior to joining the Partnership, Dr. Argent-Katwala held progressive positions with the Decision Resources Group in both Toronto, ON and London, UK, with her most recent assignment being Vice President, Therapy, Reports & Consulting. Dr. Argent-Katwala directed teams analyzing market dynamics, patterns of care and emerging therapies across all therapeutic areas in the G7 and BRIC regions for clients in the pharma, biotech and medical device industries.

On September 23, 2020, the Company announced Dr. Pierre Leimbgruber, MD, FACC, as its Inteirm Chief Medical Officer. A specialist in the prevention and treatment of cardiovascular disease, Dr. Leimgruber is board-certified in internal medicine, cardiovascular diseases, interventional cardiology and he has worked for 32 years as an interventional cardiologist, affiliated with four leading Spokane hospitals. Dr. Leimgruber also serves as Clinical Associate Professor of Medicine at the University of Washington School of Medicine in Seattle. Dr. Leimgruber received his medical degree from University of Zurich Medical School and trained with Andreas Gruentzig, MD, the inventor of balloon angioplasty, at Emory University Hospital in Atlanta. Dr. Leimgruber is the author of 26 peer-reviewed research studies published in leading medical journals.

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

The members of the SAB are listed below:

Dr. Norman Wong, M.D.

- Co-Founder of Resverlogix Corp. (TSX:RVX), and Chief Scientific Officer since 2003.
- Currently Professor of Medicine and Biochemistry & Molecular Biology and Director of the Libin Gene/Cell Therapy Unit within the Faculty of Medicine at the University of Calgary.
- Specializes in the areas of Endocrinology, Internal Medicine, Molecular Biology and Gene/Cell Therapy.
- Author and/or co-author of over 275 articles and abstracts and invited to sit on more than 40 national or international panels/committees.
- Consulted for leading pharmaceutical companies, including Eli Lilly, Merck Frost, GlaxoSmithKline, Solvay Pharmaceuticals and Abbott Laboratories.

Dr. York Hsiang, MB, ChB, MHSc, FRCSC

- Professor of Vascular Surgery at University of British Columbia, and Consultant Surgeon at the Vancouver General Hospital.
- Dr. Hsiang has diverse interests in vascular biology, vascular engineering and clinical epidemiology. He is the past President of the Chinese-Canadian Medical Society and the Western Vascular Society.
- 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 its 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.

Dr. Pierre Leimgruber, MD, FACC

- Board-certified in internal medicine, cardiovascular diseases, and interventional cardiology. Specialist in cardiovascular disease treatment.
- He has worked for 32 years as an interventional cardiologist, affiliated with four leading Spokane hospitals and also serves as Clinical Associate Professor of Medicine at the University of Washington School of Medicine in Seattle.
- Received his medical degree from University of Zurich Medical School and trained with Andreas Gruentzig, MD, the inventor of balloon angioplasty, at Emory University Hospital in Atlanta.
- Author of 26 peer-reviewed research studies published in leading medical journals.

Dr. Alan Lumsden, M.D.

- Walter W. Fondren III Chair, Medical Director of the Houston Methodist DeBakey Heart and Vascular Center and chair of the Department of Cardiovascular Surgery at Houston Methodist Hospital since 2008.
- Emory University (Atlanta)-completed his surgical residency and vascular training leading to position as Chief of Division of Vascular Surgery.
- International reputation as a leader in the field of endovascular surgery. He conducts FDA-mandated training for surgeons nationwide and has received millions of dollars for his research from the National Institutes of Health. He has contributed more than 200 papers to medical literature.

Dr. Kumar L. Hari, PhD

- Chief Scientific Officer at cBio, a private disease diagnostics and tracking firm.
- Expertise is in chromosome biology, functional genomics, and bioinformatics. Oversaw the development of the MRS and PATRN platforms.
- At cBio, Dr. Hari led the team in engagements with the FDA, various universities and other US government organizations.
- Former director of program management efforts the California Institute of Regenerative Medicine and the Myelin Repair Foundation.
- PhD in Cell Biology from UC San Diego and a B.Sc. in Genetics from UC Davis.

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.

Currently ACP-01 is the subject of our Phase II Clinical Trial for 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 ("PAD"), angina pectoris, acute myocardial infraction and other diseases of ischemia.

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 CLI. 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 Health Science, LLC ("Aspire") may have 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 randomized, placebo-controlled, double blind Phase II clinical trial for its lead product ACP-01 as a treatment for 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 91 patents, organized into five patent families, 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 lawsuits

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. 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), 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 business days from the date first written in this Agreement, (September 30, 2019) being the 'Condition Precedent Satisfaction Date'. The Company did not receive the $1,000,000 (U.S.). Consequently, the Amended License never came into effect and was a nullity. On December 5, 2019, the Company notified Aspire that 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 Complex Business Litigation Court and it ordered that all pending motions be brought into compliance within 20 days.

On June 3, 2020, the Company announced that it 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.

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.

On July 2, 2020, a Preliminary Injunction application was conducted and the Company is awaiting a decision on that injunction application. In addition, the Company was granted leave to file an amended complaint to include claims against Aspire and did so on July 27, 2020. Aspire filed a Motion to Dismiss Hemostemix's amended complaint on August 14, 2020 and Hemostemix filed a response to Aspire's Motion to Dismiss on August 28, 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.

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 and that the Court scheduled a hearing on the preliminary injunction motion for July 15, 2020. The Company is currently awaiting a decision from the judge.

On August 24, 2020, Accudata filed a Motion to Dismiss Hemostemix's amended complaint and Hemostemix filed a response to Accudata's Motion to Dismiss on September 8, 2020.

On November 27, 2020, the Company announced that it has obtained from Medrio, Inc. ("Medrio") a copy of its entire clinical trial database that was being hosted by Medrio relating to the clinical trial for ACP-01 therapy. As well, Medrio has denied, and will continue to deny, in perpetuity, Aspire, and any of Aspire's employees, officers, agents, consultants, or representatives from accessing the Hemostemix's ACP-01 clinical trial database through the Medrio platform.

Phase II Clinical Trial for Patients with 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 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 ulcerating 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) or 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. The trial had 65 enrolled subjects, with the last subject completing their last follow up in April 2021. The Company is now focusing its efforts on completing the key areas of the trial including, but not limited to, data entry, source document verification, data base lock down, biostatistical analyses and final reporting documentation. This process is expected to take approximately 3 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.

The 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.

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 always contracted to remain or become upon discovery the property of Hemostemix.

Financing

Loan Agreement

On August 12, 2019, the Company obtained a loan agreement providing up to $2 million in funding at an annual interest rate of 12%. Advances totaling $1,437,911 were made to the Company which were paid in full as at December 31,2020. The Loan is secured by general security agreement over the personal property of the Company.

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 Debentures"), in the principal amount of $525,000. Each Debenture consists of $1,000 aggregate principal amount of secured, nontransferable, convertible, redeemable debentures maturing on December 31, 2019 that beared interest at a rate of 12% per annum. During the years ended December 31, 2020, the Company repaid all of the Debentures including principal and interest of $576,863. As at December 31, 2020, there are no outstanding Debentures.

Loan from Director

On March 9, 2020, the Company received advances totaling $1,700,000 with an annual interest rate of 12% from a director of the Company, these amounts were unsecured. The interest balance outstanding on the loan was repaid in shares and cash in December 2020. During the year ended December 31, 2020, the Company incurred $42,510 of interest expense (December 31, 2019 - $nil) which has been recorded as finance expense in the consolidated statements of loss and comprehensive loss. As at December 31, 2020, there is no outstanding balance on these advances.

On November 9, 2020, the Company received two short term advances totaling $150,000 with an annual interest rate of 10% from two directors of the Company. This balance was fully repaid on December 15, 2020. During the year ended December 31, 2020, the Company incurred $nil of interest expense (year ended December 31, 2019 - $nil). As at December 31, 2020, there was a balance outstanding of $nil.

On December 30, 2020, the Company received interest free advances totaling $175,000 from a consultant of the Company, these amounts are unsecured. During the year ended December 31, 2020, the Company incurred $nil of interest expense (year ended December 31, 2019 - $nil). As at December 31, 2020, there was a balance outstanding of $175,000. This balance was fully repaid subsequent to year end.

On December 31, 2020, the Company received interest free advances totaling $194,279 from a director of the Company, these amounts are unsecured. During the year ended December 31, 2020, the Company incurred $nil of interest expense (year ended December 31, 2019 - $nil). As at December 31, 2020, there was a balance outstanding of $194,279 which is grouped in accounts payable. This balance was fully repaid subsequent to year end.

Stock Options and warrants

In conjunction with the private placement in March 2020, the Company issued 13,618,522 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 569,576 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 1.5%-1.56%, and an average expected life of 12 months.

In conjunction with the private placement in May 2020, the Company issued 7,844,625 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 231,480 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 1.28%-1.35%, and an average expected life of 12 months.

In conjunction with the private placement in July 2020, the Company issued 1,332,500 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 84,000 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected

volatility of 100%, risk-free interest rates of 1.14%, and an average expected life of 12 months.

In conjunction with the private placement on December 31, 2020, the Company issued 6,360,585 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 240,900 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 0.55-0.51%, and an average expected life of 12 months.

In conjunction with the private placement on December 31, 2020, the Company issued 9,166,667 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 733,334 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.30 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $0.30 per share, and expiring in a 12 month period. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 0.55-0.51%, and an average expected life of 12 months.

During the year ended December 31, 2020, there was a forfeiture of an aggregate of 971,687 stock options at a price of $1.00 as a result of the former CEO of the Company's resignation. During the years ended December 31, 2020, there was a forfeiture of an aggregate of 741,687 stock options at a price of $1.00, 177,500 stock options at a price of $2.00 and 52,500 stock options at a price of $1.60 as a result of the resignation of six employees.

On December 31, 2020, the Company granted 5,274,500 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of $0.70 and an expiry date of December 31, 2025. 3,887,100 of these stocks will vest immediately. The remaining 1,387,400 stock options will vest 50% immediately with the remaining 50% fully vested on December 31, 2021.

During the years ended December 31, 2020, 196,743 broker warrants expired unexercised.

Capital Raise

In the first quarter of 2020, the Company closed a non-brokered private placement consisting of an aggregate of 13,618,522 units at a price of $0.20 per Unit for gross proceeds of $2,723,044. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $220,311 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $113,915 as well as granted 569,576 agent warrants with a fair value of $87,816, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.20 per unit.

In the second quarter of 2020, the Company closed a non-brokered private placement consisting of an aggregate of 7,844,625 units at a price of $0.20 per Unit for gross proceeds of $1,568,925. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $191,182 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $46,296 as well as granted 231,480 agent warrants with a fair value of $39,489, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.20 per unit.

In the third quarter of 2020, the Company closed a private placement consisting of an aggregate of 1,332,500 units at a price of $0.20 per Unit for gross proceeds of $266,500. Each unit consisted of one common share, and one

common share purchase warrant. Purchase warrants were valued at $10,996 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $16,800 as well as granted 84,000 agent warrants with a fair value of $6,492, which are exercisable for a period of 12 months from closing, to acquire units at a price of $1.00 per unit .

On November 25, 2020, the Company closed a private placement consisting of 918,450 units at a price of $0.20 per Unit for gross proceeds of $183,690. Each unit consisted of one common share. Purchase warrants were valued at $8,233 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months.

On December 18, 2020, the Company closed a private placement consisting of 6,360,585 units at a price of $0.20 per Unit for gross proceeds of $1,272,117. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $105,498 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $40,180 as well as granted 240,900 agent warrants with a fair value of $6,810, which are exercisable for a period of 12 months from closing, to acquire units at a price of $1.00 per unit.

On December 31, 2020, the Company closed a private placement consisting of 9,166,667 units at a price of $0.30 per Unit for gross proceeds of $2,750,000. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $498,451 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees aggregate cash finder's fees of approximately $218,320 as well as granted 733,334 agent warrants with a fair value of $362,142, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.30 per unit.

During the year ended 2020, the Company issued 1,249,372 common shares at a deemed unit price of $0.20 per common share to settle $249,874 of debt owed to various arm's length parties and one non-arm's length party of the Company.

During the year ended 2020, the Company incurred additional share issuance costs of $262,198 which was related to the financing completed during the year. The Company incurred total losses of $79,862 in the statement of loss and comprehensive loss

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 the autologous 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

Wholly Owned Subsidiary

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, prior management structured to sell the IP from Kwalata to Hemostemix and planned the process to wind up Kwalata. However, this transaction did not close. As at and for the years ended December 31, 2020, Kwalata's assets remain intact. Kwalata has no liabilities or net income. kwalata is in good standings and continues to hold the patents.

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 year ended December 31, 2020 and 2019.

	Year ended December 31,	
	2020	2019
Total Assets	2,323,079	104,280
Total Liabilities	3,421,775	4,149,419
Net loss and comprehensive loss	(7,768,497)	(4,869,801)
Basic and diluted loss per share	(0.241)	(0.324)
Weighted average number of shares outstanding	32,240,572	15,044,931

Total Assets increased year over year as a result of increased financing in order to pay current trades payables relating to the CLI phase II clinical trial, ongoing research and development and general and administrative expenses.

Total Liabilities decreased year over year as a result of increase payments to outstanding clinical trial and legal activities.

Net loss and comprehensive loss increased to $7,768,497 for the year ended December 31, 2020, as a result of increased legal fees and, and offset by a decrease in research and development costs as well as stock-based compensation recovery.

RESULTS OF OPERATIONS

Comparison of Expenses

	Three months ended 2020 $	December 31, 2019 $	Increase (Decrease) $	Increase (Decrease) %
Research and development	**(266,478)**	519,077	(785,555)	(151)
Consultant	**424,416**	307,016	117,400	38
Stock-based compensation	**2,819,002**	(397,343)	3,216,345	(809)
Office expenses	**78,012**	17,383	60,629	349
Professional fees	**807,491**	101,820	705,671	693
Loss on settlement of debt through shares	**79,862**	-	79,862	100
Travel	**-**	5,112	(5,112)	(100)
Foreign exchange (gain) loss	**41,285**	35,268	6,017	17
Interest expense	**5,232**	22,474	(17,242)	(77)
Depreciation and amortization	**612**	652	(40)	(6)
Net loss from operations	**3,989,434**	611,459	3,377,975	552

	Year ended 2020 $	December 31, 2019 $	Increase (Decrease) $	Increase (Decrease) %
Research and development	**650,050**	2,351,181	(1,701,131)	(72)
Consultant	**927,804**	1,347,762	(419,958)	(31)
Stock-based compensation	**2,321,587**	333,251	1,988,336	597
Office expenses	**288,407**	231,966	56,441	24
Professional fees	**3,271,081**	315,684	2,955,397	936
Loss on settlement of debt through shares	**79,862**	-	79,862	100
Travel	**4,977**	114,647	(109,670)	(96)
Foreign exchange (gain) loss	**109,247**	68,641	40,606	59
Intereste expense	**113,034**	104,981	8,053	8
Depreciation and amortization	**2,448**	1,688	760	45
Net loss from operations	**7,768,497**	4,869,801	2,898,696	60

Analysis of expenses

Research and development ("R&D")

R&D expense is the cost for the third party manufacturing laboratory which produces ACP-01 that is used in the clinical trials and provides continued research and development work in their laboratory. It also includes the costs paid to clinical trial sites to reimburse them for the costs associated with the treatment and follow-up for patients in our study, as well as the fees paid the Contract Research Organization ("CRO") which provides services to conduct the clinical trials. R&D costs for the three months and year ended December 31, 2020 were $(266,478) and $650,050, respectively compared to $519,077 and $2,351,181, respectively for the year ended December 31, 2019 representing a decrease of $785,555 and $1,701,131 respectively. The majority of the decrease is related to the decrease in patient activity as the trial nears completion.

Consultant

Consulting fees decreased to $424,416 and in the three months ended December 31, 2020, as compared to $307,016 in the corresponding period of the prior year. For the years ended December 31, 2020, consulting fees decreased to $927,804 compared to $1,347,762 in the same period of the prior year. The decrease is primarily due to the termination of the Management Contractor agreement at the end of the 2019 fiscal year and overall lower consulting services in 2020 in order to preserve financial resources.

Stock-based compensation expense ("SBC")

SBC increased by $3,216,345 and $1,988,336 in the three months ended December 31, 2020 and for the year ended December 31, 2020 respectively, compared to the corresponding periods of 2019. The increase is primarily due to the expiry and forfeiture of unvested stock options which occurred during the 2020 fiscal year, as a result of the resignation of various consultants, officers, and directors of the Company. The increase in stock compensation is also due to a higher annual grant value in 2020 as compared to 2019 and the impact of the change in vesting terms for certain stock options issued in 2019. 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 maintenance expense

For the three months ended December 31, 2020 was $78,012 compared to $17,383 for the three months ended December 31, 2019, representing an increase of $60,629. For the years ended December 31, 2020, office maintenance expense increased to $288,407 compared to $231,966 in the same period of the prior year. Office rent and maintenance includes office administration costs including rent, courier, and utilities as well as investor relations, marketing and communications costs. The increase in expenses is primarily due to an increase in marketing expense for the year.

Professional fees

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% change	2020	2019	% change
Patent costs	**140,937**	4,683	2,910	**171,864**	117,591	46
Accounting & audit fees	**22,693**	64,033	(65)	**250,545**	77,652	223
Legal - clinical trial agreements	**-**	-	-	**-**	28,125	(100)
Legal - litigation	**612,430**	12,576	4,770	**2,587,450**	52,836	4,797
Legal - Other	**-**	(21,040)	(100)	**-**	(2,088)	(100)
Other Professional fees	**17,325**	-	-	**38,605**	-	-
Investor relations	**14,106**	1,781	692	**222,617**	41,568	436
Total	**807,491**	62,033	1,202	**3,271,081**	315,684	936

Professional fees increased to $807,491 in the three months ended December 31, 2020, as compared to $101,820 in the corresponding period of the prior year, primarily as a result of increased legal costs and accounting fees which were incurred relating to increased financing as well as the Aspire lawsuit.

Professional fees increased to $3,271,081 for the years ended December 31, 2020, as compared to $315,684 in the corresponding period of the prior year, primarily as a result of increased legal costs and accounting fees which were incurred relating to the Aspire lawsuit.

Travel expenses for the three months and year ended December 31, 2020 were $nil and $4,977 respectively, a decrease of $5,112 and $114,647, respectively when compared to comparative 2019 period. This decrease resulted from less travel related to the clinical trials, investor relations activities and visits to our contract manufacturer.

Depreciation expense for the three months and year ended December 31, 2020, were $612 and $2,448 compared to $652 and $1,688 in the corresponding periods of the prior year. Balance is comparable to the prior corresponding period.

Interest expense, for the three months and year ended December 31, 2020 were $5,232 and $113,034 respectively, compared to $22,474 and $104,981 in the corresponding periods of the prior year. Interest expense in 2020 relates to the interest on the secured loans payable and convertible debenture balance which was issued during 2019, as well as the loan from a Director advanced in this period.

Foreign exchange loss for the three months and year ended December 31, 2020 were a loss of $41,285 and $109,247 compared to a loss of $35,268, and $68,641 in the corresponding prior year period. The quarter over quarter change relates to an unrealized foreign exchange gain due to substantial US currency payables and the weakening of the Canadian dollar against the US dollar. The gain in the current year relates to an unrealized foreign exchange gain due to higher US Currency holdings and the weakening of the Canadian dollar against the US dollar.

QUARTERLY FINANCIAL INFORMATION

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

	Dec. 31, 2020	Sept 30, 2020	June 30, 2020	Mar 31, 2020
Net Loss ($)	(3,989,434)	(1,613,525)	(2,025,336)	(140,202)
Weighted Average # of Shares	32,240,572	37,710,224	36,508,078	18,731,129
Loss per Share ($)	(0.124)	(0.043)	(0.055)	(0.000)

	Dec 30, 2019	Sept 30, 2019	June 30, 2019	Mar 31, 2019
Net Loss ($)	(611,459)	(1,362,074)	(1,326,424)	(1,569,844)
Weighted Average # of Shares	15,044,931	15,044,931	15,044,931	15,044,931
Loss per Share ($)	(0.041)	(0.091)	(0.088)	(0.104)

LIQUIDITY AND CAPITAL RESOURCES

Hemostemix is a development stage Company that to date has had no 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 years ended December 31, 2020, there was a net cash outflow from operating activities of $5,975,027 compared to a net cash outflow of $3,403,747 for the years ended December 31, 2019, an increase in outflow of $2,571,280.

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

Increase in net loss from operations for the period	$(2,898,696)
Decrease in stock compensation expense	$1,988,336
Decrease in finance expense	$1,068
Decrease in interest expense	$nil
Increase in depreciation and amortization	$760
Foreign Exchange	$109,247
Loss on settlement of debt through shares	$79,862
Change in other receivables and prepaid expenses	$(2,035,540)
Change in HST/GST receivable	$(67,272)
Change in accounts payable and accrued liabilities	$250,955
Increase in the net cash used for operations	$(2,571,280)

As at December 31, 2020, the Company had a working capital deficit of $1,100,699 compared to $4,049,590 at December 31, 2019, resulting in a decrease in working capital deficit of $2,948,891. This lower working capital is a result of:

1. An increase in cash and cash equivalents of $233,887;
2. An increase in HST/GST receivable of $26,745;
3. An increase in other receivables and prepaid expenses of $1,960,615;
4. An increase in accounts payable and accrued expenses of $1,161,637;
5. A decrease in convertible debentures of $564,698;
6. A decrease in loan payable of $1,324,583

The main reason for the decrease in working capital deficit is predominately due to the repayment of convertible debentures as well as loans payable, offset by an increase in accounts payables.

Outstanding Share Data
As at December 31, 2020, the number of issued and outstanding common shares was 55,535,652 (December 31, 2019 – 15,044,931). As at April 30, 2021, the number of common shares issued and outstanding is 56,246,894.

As at December 31, 2020, the Company had 5,342,000 share purchase options outstanding (December 31, 2019 – 1,039,187). As at April 30, 2021, the number of outstanding share purchase options remained at 5,342,000.

As at December 31, 2020, the Company had 41,100,639 share purchase warrants outstanding (December 31, 2019 – 196,743). As at April 30, 2021, the number of outstanding warrants was 41,352,686.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 in the 2020 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 consolidated financial statements for the year ended December 31, 2020, as those used in our audited consolidated financial statements, except for the adoption of new standards effective as of January 1, 2020.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

New accounting standard adopted

IAS 1 Presentation of Financial Statements ("IAS 1")
Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

IFRS 3 Definition of a Business (Amendment)
The IASB has issued Definition of a Business (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a

business;

- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- narrow the definition of a business and the definition of outputs;
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

This amendment is effective for annual periods beginning on or after January 1, 2020. Managements does not anticipate any material impact from the adoption of this policy.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")
Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

New accounting standard not yet adopted

IAS 1 Classification of Liabilities as Current or Non-Current (Amendment)
The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

COMMITMENTS & CONTINGENCIES

Commitments

Management contracts
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 was to 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 had a term of one year with an option to renew for an additional one-year period. KSM was compensated based on a fixed fee for key management personnel costs, support services, accounting and office

rental at cost plus 15% of the clinical trial operations; as well, KSM was entitled to bonuses should it achieve costs savings for the current Phase II clinical trial for CLI. In addition, KSM was entitled to stock options to acquire common shares in the capital of the Company in an amount equivalent 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 announced they agreed to the early termination of the KSM management services agreement, with such termination effective October 31, 2019.

Clinical Trial Costs

In 2019, the Company averaged approximately $184,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. In 2020, the clinical trial costs dropped to an average of approximately $ 80,000 per month, as more patients were completing their 12 months of follow up. The timing and dollar amount can vary by month depending on amount of clinical trial activity taking place. In 2021, the monthly cost of patient follow ups will continue to decline as all of the patient follow ups will be completed by the end of April 2021.

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 a claim regarding the rescission 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 JMWI, Jed Wood, Randi Wood, Blake Wood, REJ Investments, Wood Capital Ltd., 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 paid 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 together with additional interest and recoverable costs claimed by JMWI accrued from February 20, 2020 through the date on which such payment into trust was 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 was 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.

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.

Accudata Lawsuit

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 and that the Court scheduled a hearing on the preliminary injunction motion for July 15, 2020. The Company is currently awaiting a decision from the judge.

On August 24, 2020, Accudata filed a Motion to Dismiss Hemostemix's amended complaint and Hemostemix filed a response to Accudata's Motion to Dismiss on September 8, 2020.

On March 30, 2021, the United States District Court for the District of Delaware has denied Aspire Health Sciences, LLC's (Aspire) Motion to Dismiss except as to Count VII (fraud), denied ?Accudata Solutions Inc.'s (Accudata) Motion to Dismiss in its entirety, and denied the Company's preliminary injunction application.? The Court also denied Aspire's and Accudata's Motions to Stay, thereby allowing all claims against Aspire and Accudata, except Count VII, to proceed without further delay

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, 2020, the Company incurred $nil (December 31, 2019 - $1,264,479), of research and development expenses to Aspire, a company related to Hemostemix by virtue of its then common management. Both companies, Aspire and Hemostemix, were at the time controlled by the former CEO of Hemostemix.

The following includes all compensation to key management personnel:

The former management contractor was reimbursed $23,651 in travel and office maintenance expense during the year ended December 31, 2020 (December 31, 2019 - $114,647). Additionally, the former management contractor provides office space for the Company and $nil of rental expense was included in lease and office maintenance for the year ended December 31, 2020 (December 31, 2019 - $77,444).

The Company recorded share based compensation expense (recovery) for the year ended December 31, 2020 in the amount of $64,124 (December 31, 2019 - $333,251) to the former management contract company and personnel.

As at December 31, 2020, the Company had $1,044,564, accounts payable and accrued liabilities owing to the previous management of the company, previous contract manufacturing company, and previous Chief Medical Officer (December 31, 2019 - $1,055,564). The majority of this balance arose based on expenses paid on behalf of the Company. Some of these expenditures are subject to dispute.

On March 9, 2020, the Company received advances totaling $1,700,000 with an annual interest rate of 12% from a director of the Company.

From the period October 29, 2020 to December 15, 2020, two directors of the Company provided a bridge loan in an aggregate amount of $150,000 with an annual interest rate of 10%. This amount was fully repaid prior to year end.

On December 31, 2020, the Company received interest free advances totaling $194,275 from a director of the Company.

For the Year ended December 31, 2020, the Company expensed $277,077 (Year ended December 31, 2019 - $nil) to Thomas Smeenk for consulting services. As at December 31, 2020, Thomas was owed $31,841 (December 31, 2019 - $nil) and this amount was included in accounts payable and accrued liabilities.

The Company recorded share based compensation expense for the year ended December 31, 2020 of $2,385,711 (December 31, 2019 -$nil) to the current management and directors of the Company.

FINANCIAL INSTRUMENTS & CAPITAL RISK MANAGEMENT

Our financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. As at December 31, 2020, 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.

Interest rate risk

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

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

The Company mitigate our exposure to interest rate risk on loans by utilizing fixed rates.

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, the Company are exposed to currency risk from the purchase of goods and services in the United States. In addition, we are exposed to currency risk to the extent cash is held in foreign currencies. The impact of a $0.01 increase in the value of the U.S. dollar against the Canadian dollar would have increased our net loss for the three months ended December 31, 2020 by approximately $209,663 (December 31, 2019- $162,289).

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, 2020 are as follows:

	US Dollars
	$
Cash and cash equivalents	3,882
Accounts payable and accrued expenses	(2,100,509)
	(2,096,627)

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

As at December 31, 2020, the Company has a working capital deficit of $1,100,699 (December 31, 2019 – $4,049,590). As at December 31, 2020, the Company has an accumulated deficit of $47,740,716 (December 31, 2019 - $41,473,508) and is not yet generating operating cash flows. As such, there is material uncertainty about the ability of the Company to continue as a going concern. In order to continue as a going concern, the Company requires additional capital to fund ongoing operations and intends on continuing to raise additional funds through the issuance of equity and/or debt.

Capital risk management

The Company's objectives when managing capital are:

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

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

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

SUBSEQUENT EVENTS

On January 22, 2021, the Company announced that it signed the Building Relationships Entrepreneurs and Dealmakers (BREAD) contract with the Department of Foreign Affairs, Trade and Development. An initiative to assist high-potential, biotech focused Canadian Small and Medium Enterprises, the program is designed to accelerate the growth of Hemostemix and other Canadian biotechnology companies.

On January 28, 2021, the Company announced that all follow-up visits of the subjects enrolled in the HS 21-01 clinical trial will be completed by March 31, 2021. A total 65 subjects who were enrolled in the trial, randomized 2:1 to receive ACP-01 or a placebo, will have completed the last follow-up appointments by March 31, 2021.

On February 11, 2021, the Company announced it has contracted Protocol First to provide it with source document verification services. Protocol First's P1 Source Upload solution, which runs alongside any EDC system, allows site coordinators to upload un-redacted source data at the click of a button. The CRA/monitor can remote monitor the data, mark it as reviewed, issue queries to the site, and create reports for management, all within an FDA approved solution.

On February 11, 2021, The Company announces the TSX-V has granted approval to amend the exercise price and expiration date of 13,618,522 outstanding warrants previously issued in connection with non-brokered private placements which closed on March 5, 2020 and March 25, 2020 (the "Original Private Placements").

Of the 13,618,522 Warrants of the Company that were scheduled to expire on March 5, 2021 and March 25, 2021 9,300,311 were repriced to $0.55 each and the expiry date extended to March 5, 2023 and March 25, 2023.

In accordance with TSX-V policies, the Warrants are amended to include an acceleration clause whereunder the exercise period of Warrants will be reduced to thirty (30) days, if, for any ten consecutive trading days during the unexpired term of the Warrants, the closing price of the Company's listed shares achieves or exceeds the price of 120% of the applicable exercise price ($0.66). The 30-day expiry period commences on the day the Company either (i) disseminates a press release or (ii) sends a written notice to the holders of the Warrants advising of the commencement of the exercise period. The remaining 4,318,211 Warrants, which were all held by Insiders, were not repriced but were extended by 2 years from their original expiry date.

In connection with the offering that closed December 18, 2020 the Company failed to compensate two finders who assisted with the private place for gross proceeds of $1,272,117. The Company will pay the finders a cash finder's fee of $60,249 which has been accrued as at December 31, 2020 and issued finders options on March 21, 2021 entitling the finder to purchase 261,247 units of the Company at a price of $1.00 within 12 months of the original closing date. Each unit is compromised of one common share and one purchase warrant, with each warrant entitling the holder to acquire one common share at a price of $1.00 within 12 months of the closing date.

On April 8, 2021, the Company announced that it is trading on the Frankfurt Stock Exchange under symbol 2VFO.F and it has engaged HE Capital Markets Ltd. to design and implement an North American and European multimedia digital advertising campaign on certain investor-focused and financial market websites.

On April 9, 2021, the Company annonced that it has secured a $2,500,000 lead order from a director for Debenture Units, and intends to raise gross proceeds of up to $4,000,000 from the non-brokered Offerings of Units and Debenture Units.

On April 23, 2021, the Company completed the 65th (final) subject's last follow-up visit. With subject follow up now completed the Company is shifting its focus to completing the data analyses and reporting associated with finalizing their Phase II Clincial Trial.

Subsequent to year end, 711,242 broker warrants were exercised, resulting in the issuance of 711,242 common shares and 711,242 purchase warrants of the Company and 9,200 broker warrants expired unexercised in March of 2021.

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, 2020, 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 may 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 may 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 was done at a single facility without secondary backup. Hemostemix's ability to conduct its clinical trial may depend on its ability to manufacture and ship product in and out of a third-party manufacturing facility.

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 Management Insurance

The Company does not currently have key management 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 CLI.

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.