HEMOSTEMIX INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(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. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and other 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, 2022 and December 31, 2021, 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 December 31, 2022 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 a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Valuation of Convertible Debenture (CD)

Key Audit Matter Description

The Company issued a convertible debt on April 25, 2022 that was complex in nature and was required to be separated into liability and equity components with the liability fair valued at issuance.

The calculation of the fair value of the CD requires management to use an appropriate valuation model and incorporates estimates.

Due to the complexity of the CD and the estimates and assumptions involved in the determination of the fair value, we consider this to be a key audit matter.

Refer to Note 2 Significant Accounting Policies - Use of estimates and judgements and Note 6 - Loans and Borrowing.

Audit Response

We responded to this matter by performing procedures in relation to the accounting and valuation of the CD. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and assessed the agreements for the CD
- Obtained management's analysis and assessment of the accounting of the CD at issuance and their calculation on the valuation of the liability and equity component at issuance.
- Obtained management's calculation subsequent to issuance on the valuation of the liability component, accretion and interest.
- Assessed the accounting treatment of the CD to ensure it followed the appropriate accounting guidance.
- Assessed the reasonability of the model used to value the CD and the appropriateness of the inputs used and recalculated the liability and equity components at issuance.
- Assessed the reasonability of the calculation used to value the liability, accretion and interest subsequent to issuance and performed a recalculation of the balances.
- Performed a sensitivity analysis of the inputs.

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shaila Rani Mehta.

MNP LLP

Mississauga, Ontario

Chartered Professional Accountants

April 28, 2023

Licensed Public Accountants

Hemostemix Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Current Assets		
Cash	**$ 135,746**	$ 219,445
Subscriptions receivable	**-**	226,000
HST/GST receivable	**138,938**	116,700
Prepaid expenses	**190,254**	-
Total current assets	**464,938**	562,145
Non-current assets		
Equipment (note 5)	**406**	901
Intangible assets (note 4)	**1**	1
Total assets	**$ 465,345**	$ 563,047
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (note 13)	**$ 2,621,336**	$ 4,365,035
Total current liabilities	**2,621,336**	4,365,035
Non-current liabilities		
Debentures (note 6)	**4,125,818**	1,481,807
Deferred income tax payable (note 10)	**486,921**	-
Total liabilities	**7,234,075**	5,846,842
Shareholders' Deficiency		
Share capital (note 7)	**41,081,789**	38,669,773
Warrants (note 8)	**2,667,520**	1,515,602
Contributed surplus	**10,245,161**	10,058,556
Deficit	**(60,763,200)**	(55,527,726)
Total Shareholders' Deficiency	**(6,768,730)**	(5,283,795)
Total Liabilities and Shareholders' Deficiency	**$ 465,345**	$ 563,047

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, 2022	Year Ended December 31, 2021
Operating expenses		
Research and development	**$ 622,651**	$ 179,900
Consulting and salaries (note 13)	**958,565**	986,099
Stock-based compensation (note 9)	**178,683**	361,600
Marketing and office expenses (note 13)	**458,996**	493,271
Professional fees	**2,295,446**	4,584,752
Gain on settlement of debt through shares (note 7)	**(2,214)**	-
Travel (note 13)	**63,175**	49,099
Foreign exchange gain	**(181,262)**	(135,169)
Finance expense (notes 6 and 11)	**354,018**	20,852
Depreciation expense (note 5)	**495**	1,101
Net loss and comprehensive loss for the year before tax	**$ (4,748,553)**	$ (6,541,505)
Income tax (recovery) (note 10)	**486,921**	(255,784)
Net loss and comprehensive loss for the year	**$ (5,235,474)**	$ (6,285,721)
Basic and diluted net loss and comprehensive loss per share	**$ (0.075)**	$ (0.109)
Weighted average number of common shares outstanding - basic and diluted	**69,981,296**	57,449,873

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, 2022	Year Ended December 31, 2021
Operating activities		
Net loss for the year	**$ (5,235,474)**	$ (6,285,721)
Items not affecting cash:		
Stock-based compensation (note 9)	**178,683**	361,600
Finance expense (note 11)	**354,018**	20,852
Depreciation expense (note 5)	**495**	1,101
Foreign exchange gain	**(181,262)**	(135,169)
Deferred tax recovery (note 10)	**486,921**	(255,784)
Changes in non-cash working capital items:		
Subscriptions receivable	**226,000**	1,702,415
Prepaid expense	**(190,254)**	45,517
HST / GST receivable	**(22,238)**	(27,507)
Accounts payable and accrued liabilities	**(1,718,634)**	1,095,035
Net cash (used in) operating activities	**(6,101,745)**	(3,477,661)
Investing activities		
Issuance of loan receivable (note 6)	**-**	(1,815,570)
Repayment of loan receivable (note 6)	**-**	1,986,686
Net cash provided by investing activities	**-**	171,116
Financing activities		
Proceeds from issuance of convertible debentures (note 6)	**2,750,000**	2,500,000
Proceeds from private placement (note 7)	**3,451,948**	839,923
Finders fees paid (note 7)	**(176,815)**	(64,350)
Exercise of warrants (note 8(n))	**18,567**	167,466
Finders fees paid related to convertible debentures (note 6(b))	**(25,654)**	-
Repayment of loans (note 6)	**-**	(175,000)
Net cash provided by financing activities	**6,018,046**	3,268,039
Net change in cash	**(83,699)**	(38,506)
Cash, beginning of year	**219,445**	257,951
Cash, end of year	**$ 135,746**	$ 219,445
Supplemental Information		
Finders' warrants issued for services	**$ 91,873**	$ -

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, 2020	55,535,652	$ 37,893,756	$ 1,537,421	$ 8,712,132	$ (49,242,005)	$ (1,098,696)
Issuance of common shares in private placement, net of issuance costs (note 7)	2,833,354	717,682	-	-	-	717,682
Exercise of broker warrants	781,856	280,546	(126,625)	7,485	-	161,406
Issuance of warrants	-	(222,211)	222,211	-	-	-
Stock-based compensation (note 9)	-	-	-	361,600	-	361,600
Expiry of warrants	-	-	(488,833)	488,833	-	-
Debentures issued - equity component	-	-	371,428	488,506	-	859,934
Net loss and comprehensive loss for the year	-	-	-	-	(6,285,721)	(6,285,721)
Balance, December 31, 2021	**59,150,862**	**$ 38,669,773**	**$ 1,515,602**	**$ 10,058,556**	**$ (55,527,726)**	**$ (5,283,795)**
Balance, December 31, 2021	**59,150,862**	**$ 38,669,773**	**$ 1,515,602**	**$ 10,058,556**	**$ (55,527,726)**	**$ (5,283,795)**
Issuance of common shares in private placement, net of issuance costs (note 7)	16,096,401	3,183,260	91,873	-	-	3,275,133
Exercise of warrants (note 8(n))	53,048	22,634	(4,067)	-	-	18,567
Common shares issued for debt	442,708	81,901	-	-	-	81,901
Issuance of warrants, related to private placements	-	(875,779)	875,779	-	-	-
Debentures issued - equity component, net of issuance costs (note 6)	-	-	188,333	7,922	-	196,255
Stock-based compensation (note 9)	-	-	-	178,683	-	178,683
Net loss and comprehensive loss for the year	-	-	-	-	(5,235,474)	(5,235,474)
Balance, December 31, 2022	**75,743,019**	**$ 41,081,789**	**$ 2,667,520**	**$ 10,245,161**	**$ (60,763,200)**	**$ (6,768,730)**

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 clinical stage 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.

The common shares of Hemostemix are listed on the TSX Venture Exchange under the symbol "HEM", Borse Frankfurt under the symbol "2VFO" and OTCQB under the symbol "HMTXF".

Hemostemix Inc. has three 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. On June 14, 2022, the Company incorporated PreCerv Inc. ("PreCerv") as a wholly owned subisidary. PreCerv obtained a global field of use license to NCP-01 and its autologous stem cell technologies from Hemostemix. (see note 3).

The Company incurred a net comprehensive loss of $5,235,474 for the year ended December 31, 2022, (December 31, 2021 - net comprehensive loss of $6,285,721) and had accumulated deficit of $60,763,200 (December 31, 2021 - $55,527,726). The Company used cash in operating activities of $6,101,745 (December 31, 2021 - $3,477,661) and, as of that date the Company’s current liabilities exceeded their current assets by $2,156,398 (December 31, 2021 – $3,802,890). The Company’s biotechnology is in the final-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, 2022 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 28, 2023.

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") and are issued as of April 28, 2023, the date the Board of Directors approved the consolidated financial statements.

Basis of presentation

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

2. Significant Accounting Policies (Continued)

Consolidated financial statements

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Kwalata Trading Limited, Hemostemix Ltd and PreCerv Inc. 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.

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 intercompany balances and transactions and gains or losses resulting from intercompany transactions are eliminated in full in the consolidated financial statements.

Functional and presentation currency

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

Segment reporting

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

Use of estimates and judgments

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

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

2. 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.

2. Significant Accounting Policies (Continued)

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.

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.

2. Significant Accounting Policies (Continued)

Financial Instruments (continued)

Classification and measurement (continued):

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 Company for the convertible debenture issued in 2021, and at the option of the holder for the convertible debenture issued in 2022, and the number of shares to be issued does not vary with changes in the fair value.

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

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

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

IFRS 9 requires that 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.

2. Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

Deferred taxes (continued)

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

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

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

Loss per share
Loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the period. The diluted loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options 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.

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.

(Expressed in Canadian Dollars)

3. Wholly-Owned Subsidiaries

Hemostemix has three wholly-owned subsidiaries. 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.

On October 1, 2017, the Company ceased its operations in Israel.

The Israel operations had current assets of $1,784 as at December 31, 2022 (December 31, 2021 - $1,784) and current liabilities of $nil as at December 31, 2022 (December 31, 2021 - $nil).

On June 14, 2022, the Company incorporated PreCerv as a wholly-owned subisidary. PreCerv obtained a global field of use license to NCP-01 and ACP-01 and its autologous stem cell technologies from Hemostemix.

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. The license expired on January 31, 2021.

In September 2019, the Company entered into an Amended and Restated License Agreement with Aspire (the “2019 License”). Aspire failed to pay Hemostemix. Condition Precedent by the Condition Precedent Satisfaction Date (November 13, 2019). The Amended Restated License Agreement was therefore a nullity and it was rescinded by the Company on December 5, 2019.

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, 2021 - $1).

During the year ended December 31, 2022, additional provisional patent with trademark 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.

The five patent families are:

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

(Expressed in Canadian Dollars)

5. Equipment

		Computers
Cost		
Balance - December 31, 2020 and December 31, 2021	$	6,138
Balance - December 31, 2022	**$**	**6,138**
Accumulated depreciation		
Balance - December 31, 2020	$	(4,136)
Depreciation for the year		(1,101)
Balance - December 31, 2021	$	(5,237)
Depreciation for the year		(495)
Balance - December 31, 2022	**$**	**(5,732)**
Net book value		
As at December 31, 2021	$	901
As at December 31, 2022	**$**	**406**

6. Loans and Borrowing

(a) Debenture:

	Number of Debentures	Liability Component	Equity Component
Balance at December 31, 2021	**2,500**	**$ 1,481,807**	**$ 859,934**
Accretion and interest	**-**	93,029	-
Balance at December 31, 2022	**2,500**	**$ 1,574,836**	**$ 859,934**

On June 11, 2021, the Company closed a $2,500,000 non-brokered private placement of convertible debentures (the "Debentures"), in the principal amount of $2,500,000. Each Debenture consists of $1,000 principal amount and 2,500 Debenture warrants. The debenture matures five years from the closing date and bears interest at a rate of 6% per annum, payable quarterly, in arrears in cash or Common shares at the option of the Company. The principal amount of the debenture may be convertible, only at the option of the Company (and not the option of the holder), into common shares of the Company at a price of $0.40 per common share. At the election of the Company, any accrued and unpaid interest may be converted into Common shares of the Company at a conversion price equal to market price, but not less than the conversion price. Each debenture warrant entitles the holder to acquire one common share at a price of $0.55 per common share for a period of 24 months from the closing of the debenture offering.

(Expressed in Canadian Dollars)

6. Loans and Borrowing (Continued)

(a) Debenture (continued)

The liability component of the Debenture was valued using the discounted cash flow model, based on an estimated effective interest rate of 11.94%. The difference between the $2,500,000 principal amount of the Debentures and the discounted fair value of the liability component was recognized as the equity portion of the Debenture on the date of grant. No fair value measurement is required as liability component is measured at amortized cost after initial recognition. The fair value of the equity component as of December 31, 2022 is $859,934, which is net of deferred tax recovery of $255,788. Accretion and Interest of $177,144 on the debentures are included in the consolidated Statements of Loss and Comprehensive Loss. The Company settled $81,901 of interest by issuing 442,708 common shares at a deemed unit price of $0.19 (Note 7 viii). No embedded and no fair value has been recalculated as of December 31, 2022.

(b) Convertible debenture

	Number of Debentures	Liability Component	Equity Component
Debentures, balance at December 31, 2021	**-**	**$ -**	**$ -**
Issuance of debentures	**2,750**	2,530,305	7,922
Accretion	**-**	20,677	-
Balance at December 31, 2022	**2,750**	**$ 2,550,982**	**$ 7,922**

On April 25, 2022, the Company closed a $2,750,000 non-brokered private placement of convertible debentures (the "Convertible Debentures"), in the principal amount of $2,750,000. Each Convertible Debenture consists of $1,000 principal amount and 5,714 Convertible Debenture warrants. The debenture matures five years from the closing date and bears interest at a rate of 8% per annum, payable quarterly, in arrears in cash or Common shares at the option of the Company. The principal amount of the debenture may be convertible, only at the option of the holder, into common shares of the Company at a price of $0.175 per common share. At the election of the Company, any accrued and unpaid interest may be converted into Common shares of the Company at a conversion price equal to market price, but not less than the conversion price. Each debenture warrant entitles the holder to acquire one common share at a price of $0.20 per common share for a period of 60 months from the closing of the debenture offering.

The liability component of the Debenture was valued using the discounted cash flow model, based on an estimated effective interest rate of 9.85%. The difference between the $2,750,000 principal amount of the Debentures and the discounted fair value of the liability component was recognized as the equity portion of the Debenture on the date of grant. No fair value measurement is required as liability component is measured at amortized cost after initial recognition. The fair value of 15,713,500 warrants issued was $167,809 and the fair value of the 133,935 finder warrants issued was $20,524. Additional issue costs of $25,654 was incurred. The fair value of the equity component as of December 31, 2022 is $7,922. Interest of $152,493 on the debentures was recognized in accounts payable and accrued liabilities in the consolidated statements of financial position. Accretion and interest on the debentures are included in the finance expense on the consolidated statements of loss and comprehensive loss. Fair value has not changed as of December 31, 2022.

(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.

(b) Issued and outstanding

	Number of common shares	Amount
Balance, December 31, 2020	**55,535,652**	**$ 37,893,756**
Private placement net of share issuance costs (i)(ii)(iii)	2,833,354	717,682
Exercise of finder warrants (note 8(b))	781,856	280,546
Issuance of warrants (i)(ii)(iii)	-	(222,211)
Balance, December 31, 2021	**59,150,862**	**$ 38,669,773**
Balance, December 31, 2021	**59,150,862**	**$ 38,669,773**
Private placement net of share issuance costs (iv)(v)(vi)(vii)	16,096,401	3,183,260
Exercise of finder warrants (note 8(n))	53,048	22,634
Issuance of warrants (iv)(v)(vi)(vii)	-	(875,779)
Shares issued for debt (viii)	442,708	81,901
Balance, December 31, 2022	**75,743,019**	**$ 41,081,789**

i) In the second quarter of 2021, the Company closed a non-brokered private placement consisting of an aggregate of 1,257,234 units at a price of $0.35 per unit for gross proceeds of $440,032. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $118,652 which entitles the holder to acquire one common share at a price of $0.40 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $26,083 as well as granted 74,522 agent warrants with a fair value of $5,714, which are exercisable for a period of 24 months from closing to acquire units at a price of $0.35 per unit (note 8).

ii) In the third quarter of 2021, the Company closed a non-brokered private placement consisting of an aggregate of 82,150 units at a price of $0.35 per unit for gross proceeds of $28,752. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $7,732 which entitles the holder to acquire one common share at a price of $0.40 per common share, for a period of 24 months. In connection with the private placement, the Company paid $nil finders fees.

iii) In the third quarter of 2021, the Company closed a non-brokered private placement consisting of an aggregate of 1,494,000 units at a price of $0.25 per unit for gross proceeds of $373,500. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $73,151 which entitles the holder to acquire one common share at a price of $0.55 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $25,270 as well as granted 101,080 agent warrants with a fair value of $9,477, which are exercisable for a period of 24 months from closing to acquire units at a price of $0.25 per unit (note 8).

7. Share Capital (continued)

(b) Issued and outstanding (continued)

iv) In the first quarter of 2022, the Company closed a non-brokered private placement consisting of an aggregate of 8,606,071 units at a price of $0.14 per Unit for gross proceeds of $1,204,850. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $276,562 which entitles the holder to acquire one common share at a price of $0.40 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $44,362 as well as granted 316,874 agent warrants with a fair value of $30,884, which are exercisable for a period of 24 months from closing to acquire units at a price of $0.14 per unit (note 8).

v) In the second quarter of 2022, the Company closed a non-brokered private placement consisting of an aggregate of 2,301,296 units at a price of $0.30 per Unit for gross proceeds of $690,389. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $182,371 which entitles the holder to acquire one common share at a price of $0.55 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $23,916 as well as granted 79,719 agent warrants with a fair value of $7,159, which are exercisable for a period of 24 months from closing, to acquire common shares at a price of $0.55 per share (note 8).

vi) In the third quarter of 2022, the Company closed a non-brokered private placement consisting of an aggregate of 4,549,034 units at a price of $0.30 per Unit for gross proceeds of $1,364,710. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $368,279 which entitles the holder to acquire one common share at a price of $0.55 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $93,177 as well as granted 310,589 agent warrants with a fair value of $47,491, which are exercisable for a period of 24 months from closing, to acquire common shares at a price of $0.55 per share (note 8).

vii) In the third quarter of 2022, the Company closed a non-brokered private placement consisting of an aggregate of 640,000 units at a price of $0.30 per Unit for gross proceeds of $192,000. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $48,574 which entitles the holder to acquire one common share at a price of $0.55 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $15,360 as well as granted 51,200 agent warrants with a fair value of $6,339, which are exercisable for a period of 24 months from closing, to acquire common shares at a price of $0.55 per share (note 8).

viii) In the second quarter of 2022, the Company issued 442,708 common shares at a deemed unit price of $0.19 per common share to settle $81,901 of debt owed to the Company. The Company incurred total gain of $2,214 in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

8. Warrants

The following table reflects the continuity of the investor warrants for the years ended December 31, 2022 and 2021:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2020	**39,241,349**	**$ 1.00**
Granted ((d) and note 7(b)(i)(ii)(iii) and note 6(a))	9,696,840	0.53
Expired (h)	(7,070,956)	0.84
Balance, December 31, 2021	**41,867,233**	**$ 0.63**
Granted ((j) and note 7(b)(iv)(v)(vi)(vii) and note 6(b))	31,809,901	0.33
Balance, December 31, 2022	**73,677,134**	**$ 0.50**

A summary of the status of the Company's broker warrants as at December 31, 2022 and 2021 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2020	**1,859,290**	**$ 0.02**
Granted note 7(b)(i)(ii)(iii)	436,848	0.72
Exercised (h)	(781,856)	0.20
Expired (i)	(1,338,680)	0.61
Balance, December 31, 2021	**175,602**	**$ 0.29**
Exercised (o)	(53,048)	0.35
Expired (p)	(21,474)	-
Granted (j), note 7 (b)(iv)(v)(vi)(vii) and note 6(b)	892,317	0.35
Balance, December 31, 2022	**993,397**	**$ 0.34**

a) On February 11, 2021, the Company amended the exercise price and expiration date of outstanding warrants previously issued in connection with non-brokered private placements which closed on March 5, 2020 and March 25, 2020. Subject to the accelerator provisions and restrictions applicable, a total of 12,731,022 warrants that were subject to expire on March 5, 2021, of which, 8,412,812 were repriced to $0.55 and 4,318,210 remained at $1.00 and the expiry date was extended to March 5, 2023. The warrants that were subject to expire on March 25, 2021 were repriced to $0.55 each and the expiry date was extended to March 25, 2023.

b) On May 6, 2021, subject to TSXV approval, the Company amended the exercise price and expiration date of outstanding warrants previously issued in connection with non-brokered private placements which closed on May 7, 2020 and May 28, 2020. The amendment request for the May 7, 2020 warrants was not approved by the TSXV and these warrants expired unexercised. Subject to the accelerator provisions and restrictions applicable, of the warrants that were subject to expire on May 28, 2021, 852,213 were repriced to $0.55 and the expiry date was extended to May 28, 2023, and 534,912 remained at $1.00 and the expiry date was extended to May 28, 2023.

8. Warrants (continued)

c) In conjunction with the private placement on May 10, 2021, the Company issued 1,257,234 warrants that entitle the holder to acquire an additional common share at $0.40 per share and expiring in a 24 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $0.40 per share, and expiring in a 24 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 0.29%, and an average expected life of 24 months.

d) On June 11, 2021, the Company issued 6,250,000 warrants in association with the June 11, 2021 Convertible Debenture that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 month period. Refer to note 6(a).

e) On July 5, 2021, the Company has extended for two years and repriced to $0.55 from $1, subject to the accelerator provision, on all repriced warrants, 1,332,500 Warrants expiring July 9, 2021, 918,450 warrants expiring November 24, 2021 of which 510,295 warrants are repriced to $0.55, 6,360,585 warrants expiring December 18, 2021, repricing 4,331,683 warrants, 9,166,667 warrants expiring December 31, 2021, repricing 8,513,334 warrants.

f) In conjunction with the private placement on September 8, 2021, the Company issued 82,150 warrants that entitle the holder to acquire an additional common share at $0.40 per share, and expiring in a 24 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $0.40 per share, and expiring in a 24 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 0.39%, and an average expected life of 24 months.

g) In conjunction with the private placement on September 21, 2021, the Company issued 1,494,000 warrants that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 month period. The Company also granted 101,080 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.25 per Unit and expiring in a 24 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 0.44%, and an average expected life of 24 months.

h) During the year ended December 31, 2021, 781,856 broker warrants with a Black-Scholes value of $126,625, were exercised into 781,856 common shares for proceeds of $161,406 and 781,856 investor warrants, with a value of $nil, were issued. The investor warrants expired unexercised.

i) During the year ended December 31, 2021, 1,338,680 broker warrants expired unexercised.

j) In conjunction with the private placement on February 28, 2022, the Company issued 8,606,071 warrants that entitle the holder to acquire an additional common share at $0.40 per share, and expiring in a 24 month period. The Company also granted 316,874 agent warrants which entitle the holder to acquire a purchase warrant at $0.14 per share and expiring in a 24 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 1.45%, and an average expected life of 24 months.

k) On April 25, 2022, the Company issued 15,713,500 warrants in association with the April 25, 2022 Convertible Debenture that entitle the holder to acquire an additional common share at $0.20 per share, and expiring in a 60 month period. In connection with the Convertible Debenture, the Company issued 133,935 finders warrants with each finders warrant exercisable for one Common Share at a price of $0.20 for a period of one year following the closing. Refer to note 6(b).

8. Warrants (continued)

l) In conjunction with the private placement on June 27, 2022, the Company issued 2,301,296 warrants that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 month period. The Company also granted 79,719 agent warrants which entitle the holder to acquire a purchase warrant at $0.55 per share and expiring in a 24 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 3.17%, and an average expected life of 24 months.

m) In conjunction with the private placement on August 12, 2022, the Company issued 4,549,034 warrants that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 month period. The Company also granted 310,589 agent warrants which entitle the holder to acquire a purchase warrant at $0.55 per share and expiring in a 24 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 3.24%, and an average expected life of 24 months.

n) In conjunction with the private placement on August 22, 2022, the Company issued 640,000 warrants that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 month period. The Company also granted 51,200 agent warrants which entitle the holder to acquire a purchase warrant at $0.55 per share and expiring in a 24 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 3.48%, and an average expected life of 24 months.

o) During the year ended December 31, 2022, 53,048 broker warrants with a Black-Scholes value of $4,067, were exercised into 53,048 common shares for proceeds of $18,567.

p) During the year ended December 31, 2022, 21,474 broker warrants expired unexercised.

(Expressed in Canadian Dollars)

8. Warrants (continued)

As at December 31, 2022, the following warrants were issued and outstanding:

Expiry Date	Exercise Price ($)	Number of Warrants and Broker Warrants
March 5, 2023	1.00	4,318,210
March 5, 2023	0.55	8,412,812
March 25, 2023	0.55	887,500
April 25, 2023	0.20	133,935
May 10, 2023	0.40	1,257,234
May 28, 2023	1.00	534,912
May 28, 2023	0.55	852,213
June 11, 2023	0.55	6,250,000
July 9, 2023	0.55	1,332,500
September 9, 2023	0.40	82,150
September 20, 2023	0.55	1,494,000
September 20, 2023	0.25	101,080
November 24, 2023	1.00	408,155
November 24, 2023	0.55	510,295
December 18, 2023	1.00	2,028,902
December 18, 2023	0.55	4,331,683
December 31, 2023	1.00	653,333
December 31, 2023	0.55	8,513,334
February 28, 2024	0.40	8,606,071
February 28, 2024	0.14	316,874
June 27, 2024	0.55	2,301,296
June 27, 2024	0.55	79,719
April 25, 2027	0.20	15,713,500
August 12, 2024	0.55	4,549,034
August 12, 2024	0.55	310,589
August 22, 2024	0.55	640,000
August 22, 2024	0.55	51,200
		74,670,531

9. Stock Options

	Number of Options	Weighted average exercise price
Balance, December 31, 2020 and December 31, 2021	**5,342,000**	**$ 0.70**
Balance, December 31, 2021 and December 31, 2022	**5,342,000**	**$ 0.70**
Granted (a)	1,433,694	0.17
Balance, December 31, 2022	**6,775,694**	**$ 0.60**

(Expressed in Canadian Dollars)

9. Stock Options (continued)

a) On February 28, 2022, the Company granted 1,433,694 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of $0.17 and an expiry date of February 28, 2027. 1,133,694 of these stock options will vest immediately. The remaining 300,000 stock options will vest 50% immediately with the remaining 50% fully vested on February 29, 2023. The fair value of the stock options were $181,822 and was estimated on the date of grant using the Black-Scholes model with the following assumptions: expected volatility of 100%, risk-free interest rate of 1.45% and an average expected life of 5 years.

The Company has recognized an expense of $178,683 for options vesting period during the year ended December 31, 2022 (year ended December 31, 2021 - $361,600), which is included in stock-based compensation expense on the consolidated statement of loss and comprehensive loss.

The following summarizes the stock options outstanding as at December 31, 2022:

	Number of Options #	Exercise Price $	Weighted Average remaining life (years)
August 1, 2023	10,000	2.00	0.01
August 26, 2023	57,500	2.00	0.01
December 31, 2025	5,274,500	0.70	2.34
February 28, 2027	1,433,694	0.17	0.88
	6,775,694		**3.23**

10. Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 23% (2021 - 23%) to the effective tax rate is as follows:

	2022	2021
Net (Loss) before income taxes	**$ (4,748,553)**	$ (6,541,505)
Expected income tax (recovery)	**(1,092,170)**	(1,504,550)
Difference in tax rates and other adjustments	**(4,760)**	-
Stock-based compensation and non-deductible expenses	**43,650**	83,536
Share issuance cost booked directly to equity	**(16,660)**	(33,874)
Adjustments in respect of prior periods	**486,920**	-
Change in benefit of tax assets not recognized	**1,069,941**	1,199,100
Deferred income tax provision (recovery)	**$ 486,921**	$ (255,788)

The Company's income tax (recovery) is allocated as follows

	2022	2021
Current tax (recovery) expense	**$ -**	$ -
Deferred tax (recovery) expense	**486,921**	(255,784)
	$ 486,921	$ (255,784)

(Expressed in Canadian Dollars)

10. Income Tax (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	2022	2021
Deferred Tax Assets		
Operating tax losses carried forward	**291,110**	253,370
Subtotal of Assets	**291,110**	253,370
Deferred Tax Liabilities		
Convertible debentures	**(291,110)**	(253,370)
Loan	**(486,921)**	-
Subtotal of Liabilities	**(778,031)**	(253,370)
Net deferred tax liability	**$ (486,921)**	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	2022	2021
Balance at the beginning of the year	**$ -**	$ -
Recognized in profit/loss	**(486,921)**	255,784
Recognized in equity	**-**	(255,784)
Balance at the end of the year	**$ (486,921)**	$ -

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:

(Expressed in Canadian Dollars)

10. Income Tax (continued)

Deductible temporary differences	2022	2021
Equipment	**$ 12,340**	$ 11,840
Share issue costs	**802,250**	838,100
Undepreciable tax costs of intangible assets	**14,627,610**	14,627,610
Operating tax losses carried forward - Canada	**45,416,260**	40,885,610
Operating tax losses carried forward - US	**135,920**	-
Deductible temporary differences not recognized	**$60,994,380**	$56,363,160

The Canadian non-capital loss carry forwards expire as noted in the table below. U.S. operating tax losses can be carried forward indefinitely.

Share issuance costs will be fully amortized in 2025

The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available which the Company can utilize the benefits therefrom.

2026	$ 2,015,510
2027	900,120
2028	642,600
2029	1,340,250
2030	661,800
2031	1,307,720
2032	572,060
2033	2,145,680
2034	279,000
2035	2,948,180
2036	2,842,550
2037	1,904,490
2038	5,115,010
2039	5,033,920
2040	6,105,820
2041	6,906,830
2042	4,694,720
	$45,416,260

11. Finance Expense

	December 31, 2022	December 31, 2021
Financial expenses	3,704	83,425
Accretion expense (Note 6)	47,821	10,487
Interest expense (Note 6)	302,493	(73,060)
Total	**$ 354,018**	**$ 20,852**

12. Commitments and contingencies

Commitments

Clinical Trial Costs
In 2021, the Company averaged approximately $15,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. In 2022, the clinical trial costs increased to an average of approximately $51,000 per month. In 2022, and continuing into 2023, these costs will primarily relate to analytical and trial planning and initiation activities.

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. The Company's position is that Burchardt's claim is without merit, and it will defend its position vigorously.

On January 24, 2023, the Company announced the arbitrator has dismissed Dr. Burchardt's claim for compensation and damages against the Company, set aside the Change of Control Agreement on the grounds that it was entered into in violation of Dr. Burchardt's duties as a director under sections 120 and 122 of the Business Corporations Act (Alberta), and determined that he lacked jurisdiction to consider the Burchardt stock option claims, and tort claims for defamation and interference wtih economic relations.

Aspire Lawsuit
On May 10, 2022, the Company settled all litigation with, and closed the settlement agreement with, Aspire Health Science LLC, AJIA Global, LLC and Alan Jacobs, Jed Wood, Randi Wood, Blake Wood, Kyle Makofka, Reginald Cooper, and Kingsman Scientific Management.

Hemostemix Lawsuit: Accudata and Aspire
On July 2, 2020 counsel for the Company filed a preliminary injunction application in the United States District Court for the District of Delaware to obtain the return of the Company's data from Accudata Solutions ("Accudata"), and Aspire following Aspire's application to intervene. 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. On May 10, 2022, the Company settled all litigation with, and closed the settlement agreement with, Aspire Health Science LLC, AJIA Global, LLC and Alan Jacobs, Jed Wood, Randi Wood, Blake Wood, Kyle Makofka, Reginald Cooper, and Kingsman Scientific Management. The Company is now in possession of all of its intellectual property, including all HS 12-01 Phase II clinical trial data, all historical data from Hemostemix Israel, and the randomization tables that are required to analyse the North American and South African ACP-01 data. The Accudata matter has been settled.

12. Commitments and contingencies (continued)

Contingencies (continued)

Zenith Appraisal & Land Consulting Ltd. Lawsuit
On October 28, 2022, counsel for Company filed a statement of defense in the Court of King's Bench of Alberta, seeking dismissal of Zenith Appraisal and Land Consulting Ltd's claim for compensation, notwithstanding that its principal, Dave Wood, a former director of the Company signed a release following his resignation from the Board during April 2020. Zenith's claim is without merit and the Company will defend itself.

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.

The following includes all compensation to key management personnel:

The Company recorded share-based compensation expense for the year ended December 31, 2022 of $150,090 (year ended December 31, 2021 - $288,996) to the current management and directors of the Company.

As at December 31, 2022, the Company had $nil in accounts payable and accrued liabilities owing to the previous management company, previous contract manufacturing company, and previous Chief Medical Officer (December 31, 2021 - $1,044,544). The majority of this balance arose based on expenses paid on behalf of the Company. Some of these expenditures were subject to dispute. The balance was settled in full. Please see note 12.

For the year ended December 31, 2022, the Company incurred $308,000 (year ended December 31, 2021 - $223,740) to Mr. Thomas Smeenk for consulting services. As at December 31, 2022, Mr. Smeenk was owed $nil (December 31, 2021 - $9,323) and this amount was included in accounts payable and accrued liabilities.

14. Financial Instruments

Our financial instruments consist of cash, other receivables and accounts payable and accrued liabilities and loans payable. As at December 31, 2022, there are no significant differences between the carrying values of these amounts and their estimated market values.

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

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

(Expressed in Canadian Dollars)

14. Financial Instruments (continued)

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 mitigates 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, 2022 by approximately $117,475 (year ended December 31, 2021 - $272,734).

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, 2022 are as follows:

	US Dollar
Cash	$ 87,625
Accounts payable and accrued liabilities	(1,262,373)
Balance, December 31, 2022	**$ (1,174,748)**

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, 2022, the Company has a working capital deficit of $2,156,398 (December 31, 2021 – $3,802,890). As at December 31, 2022, the Company has an accumulated deficit of $60,763,200 (December 31, 2021 - $55,527,726) 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)

	2021	2022	2023	2024	2025	Thereafter
Accounts payable and accrued liabilities	$4,365,035	$2,621,336	$ -	$ -	$ -	$ -
Convertible debt	83,420	150,000	370,000	370,000	370,000	5,603,671
Total	$4,448,455	$2,771,336	$ 370,000	$ 370,000	$ 370,000	$ 5,603,671

15. Subsequent Events

On January 19, 2023, the Company announced that they had received a $250,000 Letter of Commitment for funding from the McGill University Health Centre ("MUHC") Foundation. The Letter of Commitment confirms that the MUHC Foundation will fund $250,000 of the clinical trial expenses and partner with Hemostemix, Dr. Nadia Giannetti and Dr. Renzo Cecere to complete a phase II double blind randomzied clinical trial of ACP-01 as a treatment of ischemic cardiomyopathy at the MUHC.

On January 24, 2023, the Company announced the arbitrator has dismissed Dr. Burchardt's claim for compensation and damages against the Company, set aside the Change of Control Agreement on the grounds that it was entered into in violation of Dr. Burchardt's duties as a director under sections 120 and 122 of the Business Corporations Act (Alberta), and determined that he lacked jurisdiction to consider the Burchardt stock option claims, and tort claims for defamation and interference wtih economic relations.

On March 8, 2023, the Company announced it is repricing its offering of 14 million common share units to $0.20 each.

On March 21, 2023, the Company announced that it had closed its first tranche of its previously announced non-brokered private placement for gross proceeds of $762,400, issuing an aggregate of 3,812,000 Units at a price of $0.20 per Unit. Each Unit consists of one common share in the capital of the Company ("Common Share") and one common share purchase warrant ("Warrant"), with each full Warrant entitling the holder to acquire one Common Share at a price of $0.65 per Common Share for a period fo 24 months from the closing of the Offering, subject to the accelerated expiry provision. If during any 10 consecutive trading days occurring after four months and one day has elapsed following the closing date of the Offering, the average closing sale price of the Common Shares (or the closing bid, of no sales were reported on a trading day) as quoted on the TSXV is greater than or equal to $0.80 per Common Share, the Company may provide notice in writing to the holders of the Warrants by issuance of a press release that the expiry date of the Warrants will be accelerated to the 30th day and the date on which the Company issues such press release.

Hemostemix Inc.

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

For the year ended December 31, 2022 and 2021 as at April 28, 2023

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, 2022 and 2021. 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, 2022 and 2021 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 28, 2023. 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, 2023;
- 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 ischemic and dilated cardiomyopathy;
- management's outlook regarding future trends;
- 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 animal studies and clinical trial;
- 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;
- 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". In April 2021, the Company was approved for listing its common shares for trade on the Frankfurt Stock Exchange under the symbol "2VFO". 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, PreCerv Inc., Hemostemix Ltd., and Kwalata Trading Limited, the Company's wholly-owned subsidiaries. Kwalata Trading Limited ("Kwalata"), incorporated under the laws of Cyprus, was established to own 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"). On June 14, 2022, the Company incorporated PreCerv as a wholly-owned subisidary. PreCerv obtained a global field of use license to NCP-01 and ACP-01 and its autologous stem cell technologies from Hemostemix.

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 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), neural cell precursors ("NCPs") and cardiomyocyte cell precursors.

CORPORATE, PRODUCT, CLINICAL TRIAL AND FINANCING UPDATE

The following items highlight the Company's activities during the years ended December 31, 2022 and any subsequent development up until the date hereof.

Corporate Update

On February 14, 2022, the Company announced "Your Fountain of Youth" has been trademarked by the Company's intellectual property holding company, Kwalata Trading Limited. Hemostemix has been granted International Trademark Registration No. 1624069 for Your Fountain of Youth, a registration that is valid for a period of 10 years.

On April 12, 2022, the Company announced that it has completed the audit of ACP-01 clinical trial data and intellectual property held by Aspire and Accudata and that data are complete and appear to be free of manipulation in any way.

On April 25, 2022, the Company announced that it has closed a $2,750,000 non-brokered secured convertible debenture unit offering pursuant to which the Company issued 2,750 debenture units at a price of $1,000 per Debenture Unit. Each Debenture Unit consists of a $1,000 principal amount secured convertible debenture and 5,714 common share purchase warrants of the Company. The principal amount of the Debentures may be convertible at the option of the holder into common shares of the Company at a price of $0.175 per common share. At the election of the company, any accrued and unpaid interest may be converted into Common shares of the company at a conversion price equal to the market price, but not less than the conversion price of the Debenture. Each Debenture Warrant entitles the holder to acquire one common share at a price of $0.20 per common share for a period of 60 months from the closing of the debenture offering, The Debenture will mature five years from the closing date and will bear interest at a rate of 8% per annum, payable quarterly in arrears in cash or common shares in the capital of the Company at the option of the Company.

On May 10, 2022, the Company announced that it has settled all litigation with, and closed the settlement agreement with Aspire Health Science, LLC., AJIA Global, LLC and Alan Jacobs, Jed Wood, Randi Wood, Blake Wood, Kyle Makofka, Reginald Cooper, and Kingsman Scientific Management. Hemostemix is now in possession of all of its intellectual property, including all HS 12-01 Phase II clinical trial data, all historical data from Hemostemix Israel, and the randomization tables that are required to analyze the clinical trial data.

On June 14, 2022, the Company announced it has incorporated PreCerv Inc. ("PreCerv") as a wholly owned subsidiary. PreCerv will obtain from Hemostemix a global field of use license to NCP-01 and ACP-01 to treat conditions of the central and peripheral nervous system.

On August 30, 2022, the Company announced the results of its Phase II Clinical Trial, and the results of a new retrospective study of 53 consecutive patients who underwent a trans-catheter, intramyocardinal injection of angiogenic cell precursors ("ACP-01") as a treatment for heart failure (ischemic and non-ischemic dilated cardiomyopathy). At first follow-up (average 4 months) after ACP-01 cell implantation, for all types of heart failure, the LVEF was increased by 4.6% (from 28.6% to 33.2%), representing a statistically significant improvement ($p<0.0011$). On final follow-up (average 12 months after cell implantation) for all patients, the LVEF% had improved by 7.69%, which was statistically significant ($p<0.003$). When analyzing ischemic heart

failure alone (n=41), LVEF increased from 29.9% before implantation, to 34.5%, and to 38.2% at final follow-up, for an overall improvement of 8.37%, which was statistically significant ($p<0.003$). There was greater improvement in the non-ischemic dilated cardiomyopathy patients (n=8), who improved from 25.94% before treatment to 40.29% at final follow-up, for an overall improvement of 14.35% ($p<0.002$).

On October 4, 2022, the Company announced that they had commenced discussions with pharmaceutical companies to explore potential clinical trial financing alternatives for its lead product ACP-01 (the "Clinical Trial Financing Alternatives"), after retaining experts in the field of biotech business development who have significant experience completing deals on behalf of pharmaceutical companies with promising companies like Hemostemix.

On October 19, 2022, the Company and its wholly-owned subsidiary, PreCerv Inc., announced the commencement of PreCerv Inc.'s study of NCP-01.

On October 26, 2022, the Company announced Dr. Giannetti and Dr. Cecere as Co-Lead Medical Consultants, Cardiovascular Medicine and Clinical Trials. Dr. Giannetti and Dr. Cecere will assist Hemostemix with financing introductions and due diligence responses; help position ACP-01 as a candidate to be the first-to-patient autologous stem cell treatment of heart disease; design the Company's fourth heart-focused clinical trial; and, assist management with the re-establishment of ACP-01 production.

On November 15, 2022, the Company announced the continued evolution of its patented Automated Cell Therapy System (ACTS). The Hemostemix ACTS is designed to scale our autologous stem cell therapy processes by leveraging robotic-material-handling and parallel-processing efficiencies, duplicating our manual methods of angiogenic cell precursor (ACP-01) production. ACTS will scale ACP-01 production to generate the highest quality, safest and efficacious patient derived stem cell therapeutic.

Management leadership

On May 19, 2022, the Company announce the appointment of Mr. Peter Pavlin, P.Eng. to the position of Vice President Operations.

On September 12, 2022, the Company announced the appointment of Mr. Thomas Abraham, CA as President, PreCerv Inc. Mr. Abraham has more than 25 years of financing, business development, and governance and risk management experience in a broad range of roles encompassing private equity investment transactions, including sales and distribution of alternative investments, in Toronto, New York, Abu Dhabi, Singapore, Kuala Lumpur, and Glasgow, Scotland. Most recently, Mr. Abraham was the Chief Executive Officer of the Financial Services Professional Board (FSPB), where he was responsible for all business development with local and international bodies, including the oversight of all programs and standards setting activities of FSPB to achieve its mission and objectives. Mr. Abraham is a member of the Institute of Corporate Directors Canada, a Committee member of TC309, Standards Council of Canada, and the Institute of Chartered Accountants of Scotland. He holds a bachelor's degree in Accountancy from London Metropolitan University, U.K. On January 15, 2023, Mr. Abraham tendered his resignation as an officer and director of PreCerv Inc. to pursue other business interests.

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 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.

On September 14, 2022, the Company announced the appointment of Dr. Renzo Cecere, MD, FRCSC, to its Scientific Advisory Board. Dr. Cecere is the McGill University Chief of Cardiac Surgery, Surgical Director of the Heart Failure and Heart Transplantation Program, and Director of the Mechanical Circulatory Support Program. He is also Associate Member of the McGill University Department of Mechanical Engineering, and a Director and Principal Investigator of the Research Institute of the MUHC Myocardial Regeneration Laboratory.

On September 15, 2022, the Company announced the appointment of Dr. Johannes Grillari to its Scientific Advisory Board. Since 2019, Dr. Johannes Grillari is the director of the Ludwig Boltzmann Institute for Traumatology (LBI Trauma) – the Research Center in cooperation with AUVA, Vienna, Austria which is the central research unit of seven trauma centers and four rehabilitation centers with a strong focus on tissue regeneration.

On September 16, 2022, the Company announced the appointment of Dr. Nadia Giannetti, MD, to its Scientific Advisory Board. Dr. Giannetti received her Medical Degree from McGill University. After training in cardiology at McGill, she went on to pursue a Fellowship in Heart Failure and Cardiac Transplantation at Stanford University in California. She returned to McGill to become an Attending Cardiologist and an Associate Professor in the Department of Medicine. Dr. Giannetti, along with her team participates in the care of over 1000 patients with heart failure. She is the former Chief of Cardiology at the McGill University Health Centre (2010-2021). Since 2021, she has been the Associate Physician-in-Chief for the Department of Medicine, McGill University Health Centre, and is the Medical Director of the Heart Failure and Heart Transplant program.

On September 20, 2022, the Company announced the appointment of Dr. Terry Hébert, PhD, to its Scientific Advisory Board. Dr. Hébert is the Assistant Dean for Biomedical Science Education in the Faculty of Medicine and Health Sciences at McGill University, the Director of the McGill Regenerative Medicine Network, and a Professor in the Department of Pharmacology and Therapeutics. In 2020, he was awarded the Canadian Pacific Chair in Biotechnology, 2020 – 2025. He completed his PhD in Medical Genetics at the University of Toronto.

On September 27, 2022, the Company announce the appointment of Dr. Ernst von Schwarz, MD, PhD, FESC, FACC, FSCAI to its Scientific Advisory Board. Dr. von Schwarz is a US based world renowned, triple board certified clinical and academic cardiologist and clinical professor of medicine at UCLA and UC Riverside. He joined Cedars Sinai Medical Center and UCLA as Director of the Cardiac Device Program in 2006. He was appointed director of cardiology at the Heart Institute of Southern California Hospital Culver City in 2015, and chairman of Pacific Heart Medical Group and medical director of Heart Stem Inc. in 2016.

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, culture, 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 the 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.

Based on three open label studies and the retrospective study of 53 consecutive patients treated for ischemic and dilated cardiomyopathy, we believe that ACP-01 has applications in the treatment of other vascular diseases such as cardiovascular disease, peripheral arterial disease ("PAD"), angina pectoris, 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 to treat such a large patient population, ACP-01 did not qualify for Orphan Drug Status.

Neural Cellular Precursor (NCP-01)

On October 19, 2022 the Company and its wholly-owned subsidiary, PreCerv Inc., announced the commencement of PreCerv Inc.'s study of NCP-01 at Clemson University, South Carolina. The objectives of the rat study, a spinal cord repair model, are to evaluate the fate of NCP-01 cells following injection into the spinal fluid pathway, and evaluate the dosing effect on neuropathic pain and motor function recovery.

Intellectual Property

Our proprietary technologies are based on more than 16 years of clinical data, four open label studies, a retrospective study of 53 patients treated consecutively for ischemic and dilated cardiomyopathy, and a truncated randomized, placebo-controlled, double blind Phase II clinical trial of Critical Limb Ischemia.

The Company continuously monitors its patent portfolio and vigorously defends its intellectual property rights. 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

Settlement Agreement

On March 24, 2022, the Company announced that it entered into a settlement agreement (the "Settlement Agreement") with Aspire Health Science, LLC ("Aspire"), and certain other persons, to settle all pending litigation with Aspire, and certain other persons, including in respect of the Delaware Federal Action, the Florida State Action and the Florida Federal Action involving those persons.

On April 12, 2022, the Company completed the audit of its ACP-01 clinical trial data and intellectual property held by Aspire and Accudata Solutions, Inc. ("Accudata"), and confirmed the materials held by Aspire and Accudata were complete.

On May 10, 2022, the Company announced that it settled all litigation with, Aspire Health Science, LLC., AJIA Global, LLC and Alan Jacobs, Jed Wood, Randi Wood, Blake Wood, Kyle Makofka, Reginald Cooper, and Kingsman Scientific Management, for the return of its intellectual property.

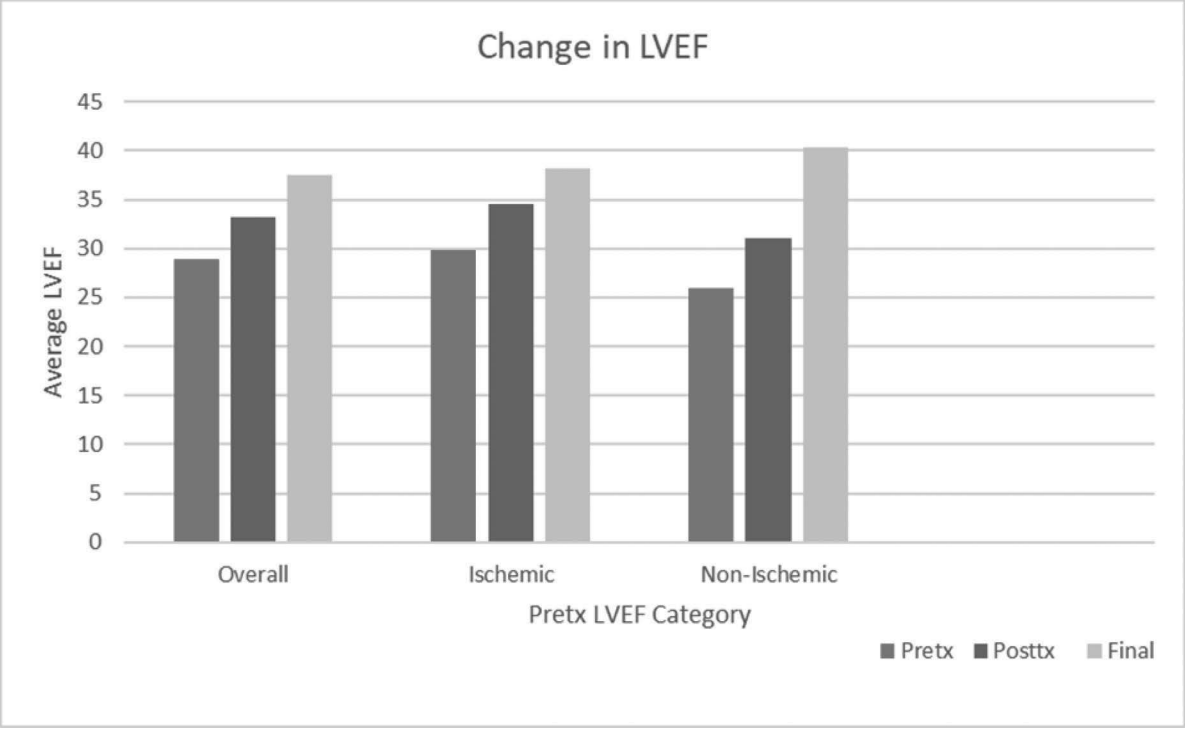
Retrospective Cardiomyopathy Study

On August 30, 2022, the Company announced the results of a new retrospective study of 53 consecutive patients who underwent a trans-catheter, intramyocardial injection of angiogenic cell precursors (ACP-01) as a treatment for heart failure (ischemic and non-ischemic dilated cardiomyopathy).

The 2021 American Heart Association estimated the prevalence of heart failure (HF) in the United States to be 6 million; within 5-years of hospitalization, the death rate amongst this population is approximately 50%. ACP-01 in its capacity to replace damaged cells, secrete growth factors, stimulate angiogenesis and exert an anti-inflammatory effect to minimize scarring, have emerged as a therapeutic option. Hemostemix has just completed an IRB approved, retrospective, outcomes study to analyse the effect of ACP-01 implants on cardiac function in patients with severe heart failure (New York Heart association Grades 3 and 4). Cardiac function was measured in terms of ejection fraction of the left ventricle (LVEF %).

At first follow-up (average 4 months) after ACP-01 cell implantation, for all types of heart failure, the LVEF was increased by 4.6% (from 28.6% to 33.2%), representing a statistically significant improvement ($p < 0.0011$). On final follow-up (average 12 months after cell implantation) for all patients, the LVEF% had improved by 7.69%, which was statistically significant ($p<0.003$).

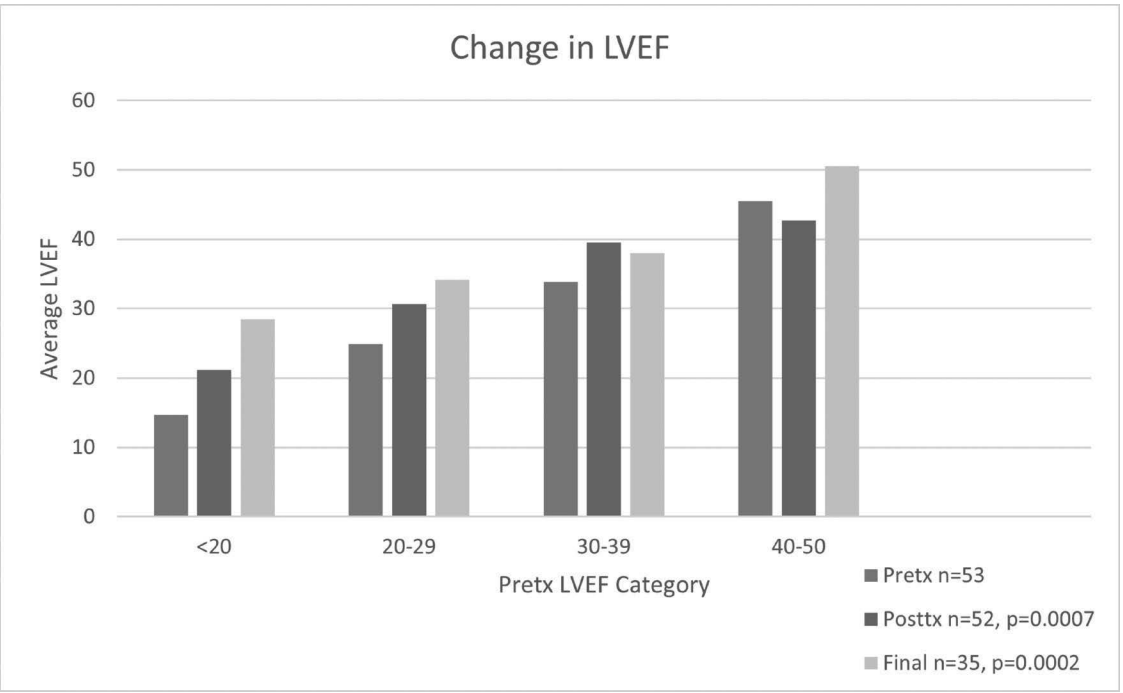
When analyzing ischemic heart failure alone (n=41), LVEF increased from 29.9% before implantation, to 34.5%, and to 38.2% at final follow-up, for an overall improvement of 8.37%, which was statistically significant ($p< 0.003$). There was greater improvement in the non-ischemic dilated cardiomyopathy patients (n=8), who improved from 25.94% before treatment to 40.29% at final follow-up, for an overall improvement of 14.35% ($p<0.002$).



To determine whether the observed improvements after ACP-01 implantation occurred at different levels of cardiomyopathy severity, the patients were divided into quartiles of pre-procedural LVEF%:

i. those with extremely severe cardiomyopathy, pre-procedural LVEF% <20%;
ii. those with severe pre-procedural LVEF% 20-29%;
iii. those with moderately severe cardiomyopathy pre-procedural LVEF% 30-39%
iv. those termed "heart failure with mid-range EF", with pre-procedural LVEF% 40-50% (per American College of Cardiology/American Heart Association/European Society of Cardiology)

Overall, upward mobility from one quartile to the next quartile was significant ($p<0.0007$) for first follow up, and more significant ($p<0.0002$) for final follow up. Three of the four groups moved up into the next category of LVEF function. The greatest improvement of LVEF% was generated in patients with extremely severe cardiomyopathy (LVEF%<20%).



Quality of life statements were used also to assess response to treatment. Patients receiving ACP-01 implantation reported "improvement of quality of life" in 66% of cases, no overall change in 28% of cases, and worsened quality of life in 6% of cases. Although not statistically significant, 94% of cases were the same or improved following ACP-01 treatment, a contradistinction to the deterioration of quality of life exhibited by the general population of patients with heart failure.

The study's conclusion was that trans-catheter intramyocardial injection of angiogenic precursor cells (ACP-01) as a treatment for heart failure is feasible and safe. The results are statistically significant and merit randomized, double-blind, placebo-controlled trials to confirm the benefit of this type of cell transplantation.

The calculated LVEF%, derived from MUGA scan, echocardiogram or SPECT was normally distributed, fulfilling the assumption for parametric testing, and treated as continuous variables, expressed as probability density functions. The paired t test compared mean preoperative and postoperative LVEF%. A p value of < 0.05 was considered statistically significant.

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 peripheral arterial disease ("PAD"). PAD is caused by atherosclerosis, the hardening and narrowing of the arteries over time due to the build-up of fatty deposits called plaque. CLI is a chronic condition that results in severe pain in the extremeties 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 may be 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 HS 12-01 clinical trial was a randomized, placebo-controlled, double blind Phase II clinical trial of ACP-01 as a potential treatment of CLI.

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 Munk Cardiac Centre located in Toronto, Ontario.

The following is a summary of Dr. Hsiang's 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

On August 31, 2022, the Company reported the unblinded results of the HS 12-01 CLI trial as follows:

Category	Statistic	ACP-01	Placebo	Total
Subjects randomized	n	47	21	68
Subjects randomized but were not treated	n (%)	1 (2.1)	0	1 (1.5)
Subjects treated	n (%)	46 (97.9)	21 (100)	67 (98.5)
Subjects who completed the study	n (%)	27 (57.4)	19 (90.5)	46 (67.6)
Withdrawal from the study	n (%)	20 (42.6)	2 (9.5)	22 (32.4)
Amputation	n (%)	3 (11.1)	2 (10.5)	5 (10.8)

- As originally designed, the clinical trial power analysis required 95 subjects to achieve a statistically significant result. The previous management team, however, truncated the trial to 68 subjects, reducing the power of the analysis of the study's primary endpoint to 25%. The trial demonstrated that ACP-01 was safe and treated patients, as compared to placebo treated patients:
- trended toward improvements in ulcer healing at 3 months
- trended toward ulcer healing at 6 months
- trended toward ulcer healing at the end of study at 12 months
- trended toward a reduction in pain associated with critical limb ischemia at 12 months

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.

Financing

Convertible debenture

On April 25, 2022, the Company closed a $2,750,000 non-brokered private placement of convertible debentures (the "Convertible Debentures"), in the principal amount of $2,750,000. Each Convertible Debenture consists of $1,000 principal amount and 5,714 Convertible Debenture warrants. The debenture matures five years from the closing date and bears interest at a rate of 8% per annum, payable quarterly, in arrears in cash or Common shares at the option of the Company. The principal amount of the debenture may be convertible, only at the option of the holder, into common shares of the Company at a price of $0.175 per common share. At the election of the Company, any accrued and unpaid interest may be converted into Common shares of the Company at a conversion price equal to market price, but not less than the conversion price. Each debenture warrant entitles the holder to acquire one common share at a price of $0.20 per common share for a period of 60 months from the closing of the debenture offering.

The liability component of the Debenture was valued using the discounted cash flow model, based on an estimated effective interest rate of 9.85%. The difference between the $2,750,000 principal amount of the Debentures and the discounted fair value of the liability component was recognized as the equity portion of the Debenture on the date of grant. No fair value measurement is required as liability component is measured at amortized cost after initial recognition. 133,935 warrants were issued with a fair value of $20,524, and issue costs of 20,524 broker warrants with a fair value of $25,654 were also issued. The fair value of the equity component as of December 31, 2022 is $nil. Interest of $152,493 on the debentures was recognized in accounts payable and accrued liabilities in the consolidated statements of financial position. Accretion and interest on the debentures are included in the finance expense on the consolidated statements of loss and comprehensive loss. Fair value

has not changed as of December 31, 2022.

Stock Options and Warrants

During the years ended December 31, 2022, 53,048 broker warrants were exercised into 53,048 common shares for proceeds of $18,567.

In conjunction with the private placement on February 28, 2022, the Company issued 8,606,071 warrants that entitle the holder to acquire an additional common share at $0.40 per share, and expiring in a 24 month period. The Company also granted 316,874 agent warrants which entitle the holder to acquire an additional common share at an exercie price of $0.14 per Unit and expiring in a 24 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 1.45%, and an average expected life of 24 months.

On February 28, 2022, the Company granted 1,433,694 stock options to directors, officers, employees and consultants of the Company. The stock options granted have an exercise price of $0.17 and an expiry date of February 28, 2027. 1,133,694 vest immediately and 300,000 vest 50% immediately and 50% on February 28, 2023.

In conjunction with the Convertible Debenture on April 25, 2022, the Company issued 15,713,500 warrants that entitle the holder to acquire an additional common share at $0.20 per share, and expiring in a 60 month period. In connection with the Convertible Debenture, the Company issued 133,935 finders warrants with each finders warrant exercisable for one Common Share at a price of $0.20 for a period of one year following the closing. 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 2.70%, and an average expected life of 60 months.

In conjunction with the private placement on June 27, 2022, the Company issued 2,301,296 warrants that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 month period. The Company also granted 79,719 agent warrants which entitle the holder to acquire a purchase warrant at $0.55 per share and expiring in a 24 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 3.17%, and an average expected life of 24 months.

In conjunction with the private placement on August 12, 2022, the Company issued 4,549,034 warrants that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 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 3.24%, and an average expected life of 24 months.

In conjunction with the private placement on August 22, 2022, the Company issued 640,000 warrants that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 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 3.48%, and an average expected life of 24 months.

Capital Raise

On February 28, 2022, the Company closed a non-brokered private placement of 8,606,071 units at a price of $0.14 per units for gross proceeds of $1,204,850. Each unit consists of one common share in the capital of the Company and one transferable common share purchase warrant, with each full Warrant entitling the holder to

acquire one Common Share at a price of $0.40 per Common Share for a period of 24 months from the closing of the Offering. Purchase warrants were valued at $276,562, which entitles the holder to acquire one common share at a price of $0.40 per common share, for a period of 24 months. In connection with the Offering, the Company paid eligible finders aggregate cash finders fees of approximately $44,362 and issued 316,874 finder's options with a fair value of $30,884, which are exercisable for a period of 24 months from closing, to acquire common shares at a price of $0.14.

On June 27, 2022, the Company closed a non-brokered private placement of 2,301,296 units at a price of $0.30 per units for gross proceeds of $690,389. Each unit consists of one common share in the capital of the Company and one transferable common share purchase warrant, with each full Warrant entitling the holder to acquire one Common Share at a price of $0.55 per Common Share for a period of 24 months from the closing of the Offering. Purchase warrants were valued at $182,371, which entitles the holder to acquire one common share at a price of $0.50 per common share, for a period of 24 months. In connection with the Offering, the Company paid eligible finders aggregate cash finders fees of approximately $23,916 and issued 79,719 finder's options with a fair value of $7,159, which are exercisable for a period of 24 months from closing, to acquire common shares at a price of $0.55.

On August 12, 2022, the Company closed a non-brokered private placement consisting of an aggregate of 4,549,034 units at a price of $0.30 per Unit for gross proceeds of $1,364,710. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $368,279 which entitles the holder to acquire one common share at a price of $0.55 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $93,177 as well as granted 310,589 agent warrants with a fair value of $47,491, which are exercisable for a period of 24 months from closing, to acquire common shares at a price of $0.55 per share.

On August 24, 2022, the Company closed a non-brokered private placement consisting of an aggregate of 640,000 units at a price of $0.30 per Unit for gross proceeds of $192,000. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $48,574 which entitles the holder to acquire one common share at a price of $0.55 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $15,360 as well as granted 51,200 agent warrants with a fair value of $6,339, which are exercisable for a period of 24 months from closing, to acquire common shares at a price of $0.55 per share.

OUTLOOK

The Company continues to strongly believe in the technology based on the safety profile and efficacy of ACP-01 as reported in four heart studies and three critical limb ischemia trials, and its extensive work to optimize and scale its manufacturing processes.

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 Subsidiaries

Hemostemix has three wholly-owned subsidiaries, Kwalata Trading Limited ("Kwalata"), Hemostemix Ltd. ("HEM Israel") and PreCerv Inc. ("PreCerv"). All of the Company's patents and trademarks are registered in the name of Kwalata. HEM Israel was the original manufacturing company.

On October 1, 2018, management structured the sale of the intellectual property ("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 it continues as the IP holding company.

On October 1, 2017, the Company ceased its operations in Israel and moved its manufacturing and research and development activities to Aspire under License. The Israel operations had current assets of $1,784 as at December 31, 2022 (December 31, 2021 - $1,784) and current liabilities of $nil as at December 31, 2022 (December 31, 2021 - $nil).

On June 14, 2022, the Company incorporated PreCerv to enable PreCerv to obtain from Hemostemix a global field of use license to NCP-01 and ACP-01 to treat conditions of the central and peripheral nervous system, including but not limited to the following:

1. Neuropathic pain syndromes.
2. Traumatic spinal cord injury, chronic brainstem injury, traumatic brain injury, peripheral nerve injury.
3. Rare diseases including: syringomyelia, Charcot-Marie tooth disease, and Guillain-Barre syndrome, Amyotrophic lateral sclerosis (ALS), age-related macular degeneration (ARMD), corneal or eye diseases and retinopathies of any cause.
4. Cerebral stroke.

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.

SELECTED FINANCIAL INFORMATION FOR THE PERIODS

The following table provides selected consolidated financial information for the Company as at and for the year ended December 31, 2022 and 2021.

	Year ended December 31,	
	2022	2021
Total Assets	465,345	563,047
Total Liabilities	7,234,075	5,846,842
Net loss and comprehensive loss before taxes	(4,748,553)	(6,541,505)
Basic and diluted loss per share	(0.075)	(0.109)
Weighted average number of shares outstanding	69,981,296	57,449,873

Total Assets decreased primarily as a result of increased payments in order to settle the Aspire lawsuit and to pay current trades payables relating to the CLI phase II clinical trial.

Total Liabilities increased by $1,387,233, primarily as a result of increased debentures raised during the year.

Net loss and comprehensive loss before taxes decreased to $4,748,553 for the year ended December 31, 2022, primarily as a result of decreased legal fees related to the settlement of the Aspire lawsuit.

RESULTS OF OPERATIONS

Comparison of Expenses

	Three months ended December 31, 2022 $	December 31, 2021 $	Increase (Decrease) $	Increase (Decrease) %
Research and development	**320,002**	64,963	255,039	393
Consultants	**64,188**	167,108	(102,920)	(62)
Stock-based compensation	**4,756**	90,400	(85,644)	(95)
Office expenses	**4,465**	(18,196)	22,661	(125)
Professional fees	**211,310**	3,236,562	(3,025,252)	(93)
Travel	**19,737**	(3,445)	23,182	100
Foreign exchange (gain) loss	**104,300**	(204,469)	308,769	(151)
Finance expense	**131,598**	8,088	123,510	1,527
Gain on fair value of debenture	**-**	-	-	100
Loss on disposition of loan	**-**	-	-	100
Depreciation and amortization	**124**	276	(152)	(55)
Net loss from operations	**860,480**	3,341,287	(2,480,807)	(74)

	Year ended December 31, 2022 $	December 31, 2021 $	Increase (Decrease) $	Increase (Decrease) %
Research and development	**622,651**	179,900	442,751	246
Consultants	**958,565**	986,099	(27,534)	(3)
Stock-based compensation	**178,683**	361,600	(182,917)	(51)
Marketing and office expenses	**458,996**	493,271	(34,275)	(7)
Professional fees	**2,295,446**	4,584,752	(2,289,306)	(50)
Gain on settlement of debt through shares	**(2,214)**	-	(2,214)	-
Travel	**63,175**	49,099	14,076	29
Foreign exchange (gain) loss	**(181,262)**	(135,169)	(46,093)	34
Finance expense	**354,018**	20,852	333,166	1,598
Depreciation and amortization	**495**	1,101	(606)	(55)
Net loss from operations	**4,748,553**	6,541,505	(1,792,952)	(27)

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 to the Contract Research Organization ("CRO") which provides services to conduct the clinical trials. R&D costs for the year ended December 31, 2022 were $320,002 and $622,651, respectively compared to $64,963 and $179,900, respectively for the year ended December 31, 2021 representing a increase of $255,039 and $442,751, respectively. The majority of the increase is related to fees paid to Dr. Zsuzanna Kovesd relating to older clinical trials.

Consultants

Consulting fees and salaries decreased to $64,188 and $958,565, respectively for the year ended December 31, 2022, as compared to $167,108 and $986,099, respectively in the corresponding period of the prior year. The decrease was due to the decrease in investor relation services being utilized for the period.

Stock-based compensation expense ("SBC")

SBC decrease by $85,644 and $182,917, respectively in the year ended December 31, 2022, compared to the corresponding periods of 2021. The decrease is primarily due to the grant of stock options which occurred during the current fiscal year. The decrease in stock compensation is also due to a lower annual grant value in 2022 as compared to 2021 and the impact of the change in vesting terms for certain stock options issued in 2021. 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.

Marketing and office expenses

For the year ended December 31, 2022, marketing and office expenses decreased to $458,996 compared to $493,271 in the same period of the prior year. Marketing and office expenses includes office administration costs including courier, and utilities as well as marketing and communications costs. The decrease in expenses is primarily due to decrease in marketing expense for the year.

Professional fees

	Three months ended December 31,			Year ended December 31,		
	2022	2021	% change	2022	2021	% change
Patent costs	**82,315**	9,262	789	**155,811**	150,034	4
Accounting & audit fees	**90,344**	42,420	113	**245,216**	200,300	22
Legal - litigation	**14,338**	2,984,837	(100)	**1,304,374**	3,886,853	(66)
Legal - Other	**(57,669)**	165,924	(135)	**380,088**	247,948	35
Other Professional fees	**67,993**	2,230	2,949	**72,873**	19,580	272
Investor relations	**13,989**	31,889	(56)	**137,084**	80,037	71
Total	**211,310**	3,236,562	(93)	**2,295,446**	4,584,752	(50)

Professional fees decreased to $211,310 and $2,295,446, respectively, for the year ended December 31, 2022, as compared to $3,236,562 and $4,584,752, respectively in the prior year, primarily as a result of decreased legal costs which were previously incurred relating to the Aspire lawsuit, and offset by an increase in the year end audit fees.

Depreciation expense for the three months and year ended December 31, 2022, were $124 and $495, respectively compared to $276 and $1,101, respectively in the corresponding periods of the prior year.

Finance expense, for the three months and year ended December 31, 2022 were $131,598 and $354,018, respectively compared to $8,088 and $20,852, respectively in the corresponding periods of the prior year. Interest expense relates to the interest on the convertible debenture balance. The increase in finance expense is primarily due to an increase in the number of debentures issued during the current year end.

Foreign exchange for the three months and year ended December 31, 2022 were a loss (gain) of $104,300 and $(181,262), respectively compared to a gain of $204,469 and $135,169, respectively in the corresponding prior year period. The change from the current and prior year periods relates to an unrealized foreign exchange gain due to a change in rates, as well as a substantial payables balance in US currency.

QUARTERLY FINANCIAL INFORMATION

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

	Dec 31, 2022	Sept 30, 2022	June 30, 2022	Mar 31, 2022
Net Loss ($)	(1,347,401)	(810,527)	(1,445,860)	(1,631,686)
Weighted Average # of Shares	75,743,019	73,643,465	70,530,667	62,525,308
Loss per Share ($)	(0.018)	(0.011)	(0.020)	(0.026)

	Dec 31, 2021	Sept 30, 2021	June 30, 2021	Mar 31, 2021
Net Loss ($)	(3,504,536)	(1,341,601)	(1,341,601)	(683,702)
Weighted Average # of Shares	57,804,650	57,804,650	57,574,742	56,193,257
Loss per Share ($)	(0.061)	(0.023)	(0.023)	(0.012)

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, 2022, there was a net cash outflow from operating activities of $6,101,745 compared to a net cash outflow of $3,477,661 for the years ended December 31, 2021, an increase in outflow of $2,624,084.

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

Increase in net loss from operations for the period	$1,050,247
Decrease in stock compensation expense	$(182,917)
Increase in finance expense	$333,166
Decrease in depreciation and amortization	$(606)
Foreign Exchange	$(46,093)
Change in subscription receivables	$(1,476,415)
Change in other receivables and prepaid expenses	$(235,771)
Change in HST/GST receivable	$5,269
Change in accounts payable and accrued liabilities	$(2,813,669)
Decrease in the net cash used for operations	$3,366,789

As at December 31, 2022, the Company had a working capital deficit of $2,156,398 compared to $3,802,890 at December 31, 2021, resulting in a decrease in working capital deficit of $1,646,492.

Outstanding Share Data

As at December 31, 2022, the number of issued and outstanding common shares was 75,743,019 (December 31, 2021 – 59,150,862). As at April 28, 2023, the number of common shares issued and outstanding is 81,089,626.

As at December 31, 2022, the Company had 6,775,694 share purchase options outstanding (December 31, 2021 – 5,342,000). As at April 28, 2023, the number of outstanding share purchase options remained at 6,775,694.

As at December 31, 2022, the Company had 74,670,531 share purchase warrants outstanding (December 31, 2021 – 42,042,835). As at April 28, 2023, the number of outstanding warrants was 74,670,531.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 in the 2021 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, 2022, as those used in our audited consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

New accounting standard not yet adopted

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

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, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

COMMITMENTS & CONTINGENCIES

Commitments

Clinical Trial Costs

In 2021, the Company averaged approximately $15,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. In 2022, the clinical trial costs increased to an average of approximately $51,000 per month. In 2022, and continuing into 2023, these costs will primarily relate to analytical and trial planning and initiation activities.

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 May 10, 2022, the Company settled all litigation with, and closed the settlement agreement with, Aspire Health Science LLC, AJIA Global, LLC and Alan Jacobs, Jed Wood, Randi Wood, Blake Wood, Kyle Makofka, Reginald Cooper, and Kingsman Scientific Management.

Accudata Lawsuit

On July 2, 2020 counsel for the Company filed a preliminary injunction application in the United States District Court for the District of Delaware to obtain the return of the Company's data from Accudata Solutions ("Accudata"), and Aspire following Aspire's application to intervene. 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. On May 10, 2022, the Company settled all litigation with, and closed the settlement agreement with, Aspire Health Science LLC, AJIA Global, LLC and Alan Jacobs, Jed Wood, Randi Wood, Blake Wood, Kyle Makofka, Reginald Cooper, and Kingsman Scientific Management. The Company is now in possession of all of its intellectual property, including all HS 12-01 Phase II clinical trial data, all historical data from Hemostemix Isreal, and the randomization tables that are required to analyse the North American and South African ACP-01 data. The Accudata matter has been settled.

Zenith Appraisal & Land Consulting Ltd. Lawsuit

On October 28, 2022 counsel for Company filed a statement of defense in the Court of King's Bench of Alberta, seeking dismissal of Zenith Appraisal and Land Consulting Ltd's claim for compensation, notwithstanding that its principal, Dave Wood, a former director of the Company signed a release following his resignation from the Board during April 2020. Zenith's claim is without merit and the Company will defend itself.

RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions are conducted on the terms and conditions agreed to by the related parties. It is the Company's policy to conduct all transactions and settle all balances with related parties on market terms and conditions.

The following includes all compensation to key management personnel:

The Company recorded share based compensation expense for the year ended December 31, 2022 of $150,090 (year ended December 31, 2021 - $288,996) to the current management and directors of the Company.

As at December 31, 2022, the Company had $nil, accounts payable and accrued liabilities owing to the previous management of the company, previous contract manufacturing company, and previous Chief Medical Officer (December 31, 2021 - $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. The balance was settled in full.

For the year ended December 31, 2022, the Company incurred $308,000 (year ended December 31, 2021 - $223,740) to Mr. Thomas Smeenk for consulting services. As at December 31, 2022, Mr. Smeenk was owed $nil (December 31, 2021 - $9,323) and this amount was included in accounts payable and accrued liabilities.

FINANCIAL INSTRUMENTS & CAPITAL RISK MANAGEMENT

Our financial instruments consist of cash and cash equivalents, subscriptions receivables, other receivables and accounts payable, debentures and accrued liabilities. As at December 31, 2022, 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, 2022 by approximately $117,475 (December 31, 2021- $92,028).

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, 2022 are as follows:

	US Dollars ($)
Cash and cash equivalents	87,625
Accounts payable and accrued expenses	(1,262,373)
	(1,174,748)

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, 2022, the Company has a working capital deficit of $2,156,398 (December 31, 2021 – $3,802,890). As at December 31, 2022, the Company has an accumulated deficit of $60,763,200 (December 31, 2021 - $55,527,726) 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 24, 2023, the Company announced the arbitrator has dismissed Dr. Burchardt's claim for compensation and damages against the Company, set aside the Change of Control Agreement on the grounds that it was entered into in violation of Dr. Burchardt's duties as a director under sections 120 and 122 of the Business Corporations Act (Alberta), and determined that he lacked jurisdiction to consider the Burchardt stock option claims, and tort claims for defamation and interference wtih economic relations.

On March 8, 2023, the Company announced it is repricing its offering of 14 million common share units to $0.20 each.

On March 21, 2023, the Company announced that it had closed its first tranche of its previously announced non-brokered private placement for gross proceeds of $762,400, issuing an aggregate of 3,812,000 Units at a price of $0.20 per Unit. Each Unit consists of one common share in the capital of the Company ("Common Share") and one common share purchase warrant ("Warrant"), with each full Warrant entitling the holder to acquire one Common Share at a price of $0.65 per Common Share for a period fo 24 months from the closing of the Offering, subject to the accelerated expiry provision. If during any 10 consecutive trading days occurring after four months and one day has elapsed following the closing date of the Offering, the average closing sale price of the Common Shares (or the closing bid, of no sales were reported on a trading day) as quoted on the TSX Venture Exchange is greater than or equal to $0.80 per Common Share, the Company may provide notice in writing to the holders of the Warrants by issuance of a press release that the expiry date of the Warrants will be accelerated to the 30th day and the date on which the Company issues such press release.

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, 2022, 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, 2022 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, 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 favourable 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.

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.