Hemostemix Inc.

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

For the year ended December 31, 2016 and 2015 as at May 1, 2017

Introduction

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Hemostemix Inc. (the "Company" or "HEMOSTEMIX") for years ended December 31, 2016 and December 31, 2015, and is intended to help readers better understand 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 audited consolidated financial statements of the Company for the years ended December 31, 2016 and December 31, 2015 and the accompanying notes. Those audited annual consolidated financial statements have been reviewed by the Audit Committee of the Company and have been approved by its Board of Directors. Additional information relating to the Company is available on SEDAR at www.sedar.com as well as the Company's Web site at www.hemostemix.com. The financial statements for the years ended December 31, 2016 and 2015 have been prepared under International Financial Reporting Standards ("IFRS").

These statements are essentially forward-looking and are subject to risks and uncertainties, as described in the "Risks and Uncertainties" section, below. Actual results, levels of activity, performance or achievements could differ materially from those projected, discussed or contemplated herein and are dependent upon on a number of factors, including the successful and timely completion of research and development initiatives, the uncertainties related to the market acceptance, and the commercialization of our products thereafter.

CONSOLIDATION AND PRESENTATION

RTO Transaction

The consolidated financial statements of the Company comprise the accounts of Hemostemix Inc., (formerly Theravitae Inc.) Hemostemix Ltd, and Kwalata Trading, the Company's wholly-owned subsidiaries. Hemostemix Inc. was incorporated on May 6, 2006 under the provisions of the *Canada Business Corporations Act* with its current head office located at Suite 730, 1015 - 4 Street SW, Calgary, Alberta T2R 1J4. Hemostemix Ltd. was incorporated on June 20, 2011 in Israel and Kwalata Limited ("Kwalata") was incorporated on November 1, 2007 in Cyprus.

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

SELECTED FINANCIAL INFORMATION FOR THE YEAR

The following table provides selected consolidated financial information for the Company as at and for the years ended December 31, 2016 and December 31, 2015.

	As at December 31, 2016 Total $	As at December 31, 2015 Total $
Current assets	**125,273**	605,189
Total assets	**227,111**	796,808
Total liabilities	**3,689,337**	622,729
	Year ended December 31, 2016 Total $	Year ended December 31, 2015 Total $
Total expenses	**3,794,807**	3,962,319
Net and comprehensive loss	**(3,784,512)**	(3,985,068)
Basic and diluted loss per share	**(0.06)**	(0.06)

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

The following MD&A of the results of operations and financial condition of the Company are based on and derived from and should be read in conjunction with the audited consolidated financial statements and notes to the financial statements for the years ended December 31, 2016 and 2015.

Caution regarding forward-looking statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's goal of creating shareholder value; its ability to meet its operating costs for the fiscal year ended December 31, 2016; 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; management's outlook regarding future trends; sensitivity analysis on financial instruments that may vary from amounts disclosed; prices and price volatility the Company's products; and general business and economic conditions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Company's stage of development, long-term capital requirements and future ability to fund operations, future developments in the Company's

markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Company's operations. Each factor should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. See "Risk Factors."

The Company disclaims any intention or obligation to update or revise these forward-looking statements, resulting from additional or new information, future events or otherwise, except as may be required by law.

History

Hemostemix commenced operations in 2006 as a clinical stage biotechnology company with a patented technology and whose principal business is to develop, manufacture and commercialize blood-derived cell therapies to treat various diseases not adequately addressed by current therapies. It was granted the Technology Pioneer Award by the World Economic Forum in 2006.

Hemostemix conducts operations through its wholly owned subsidiary, Hemostemix Ltd., in Israel, which is primarily its R&D and manufacturing site. Hemostemix Ltd. develops cell therapy products from the patient's own blood, a relatively low-risk, cost-effective and non-invasive source of therapeutic cells.

While Hemostemix corporate head office is in Calgary, Alberta, the Company also has a 2,200-square foot research and manufacturing facility in Ness Ziona, Israel. This facility can supply product for clinical trials while Hemostemix evaluates its manufacturing options as demand for product increases. The facility is also able to deliver important product development support for submissions to regulatory agencies and develops new technologies to enrich the Hemostemix product pipeline. The facility is equipped with a clean room and equipment necessary to conduct the proprietary process of manufacturing outlined in its intellectual property and both disclosed to and approved by Health Canada and the FDA for the purposes of providing the product for Hemostemix' phase 2 clinical trial. Currently, the research and manufacturing facility is not engaged in any manufacturing activities, while the Company explores its options for commencing new patient trials. In order to begin patient trials the manufacturing facility in Israel would require re-certification, which the Company has done in the past when a quiet period of activity existed.

Hemostemix continues to explore the viability of outsourcing the manufacture of its clinical product in certain circumstances. The Company is also looking to establish additional manufacturing capabilities in North America, if possible.

Hemostemix has five families of patents related to its products and manufacturing processes. The intellectual property of the company broadly covers synergetic cell populations and angiogenic cell precursors (ACPs, including the lead cell product ACP-01), bone cell precursors (BCPs), myocardial cell precursors (MCPs), and neural cell precursors (NCPs).

Hemostemix, had a non-exclusive license agreement with AIM, a Tampa, Florida based company for the treatment of patients in Bahamas and Panama. AIM reported that they used products manufactured under the Hemostemix license in a few individual patients; however, the AIM business has ceased operations and license agreement is no longer valid.

2016 HIGLIGHTS

During 2016, Hemostemix went through some significant challenges and changes.

Product Development and Clinical Trial Updates:

On April 18, 2016, the Company announced the approval of its lead product ACP-01 for CLI for use in the Company's phase 2 clinical trial by the Institutions Review Boards of the Houston Methodist Hospital Research Institute and University of California Los Angeles. Hemostemix previously received clearance of its investigational new drug application for its double-blind placebo controlled study to assess blood-derived autologous angiogenic cell precursor therapy in patients with critical limb ischemia from the FDA. Under FDA regulations, Institutions Review Boards (IRBs) are required to review all human subjects' research to ensure that the rights and welfare of human subjects are protected at all times. To accomplish this purpose, IRBs are comprised of physicians and research administrators with the authority to approve, require modifications to or disapprove research. The Hemostemix research study and all pertinent study related materials were critically examined by the two IRBs and approved without any modifications. This is significant as it allows the Company to negotiate with these sites for conducting phase 2 clinical trials at these sites.

The Company announced on June 28, 2016 that Criterium Inc., a global contract research organization ("Criterium"), has notified Hemostemix that it has terminated the master services agreement dated June 7, 2014 relating to clinical research services ("CRO Agreement"). With the termination of the CRO Agreement, Criterium was not providing any services for the Hemostemix phase 2 clinical trials, including, any further monitoring visits. As a result, Hemostemix placed a hold on enrollment for its phase 2 clinical trials in Canada and South Africa.

During 2016 two additional patents were granted in the United States and in Canada. The U.S. Patent and Trademark Office (USPTO) granted patent US 9,404,084 titled "Regulating Stem Cells". It is the fourth Hemostemix patent issued in the United States. The patent covers a method for generating therapeutic cell products, including the company's lead product ACP-01 and cardiomyocyte –like precursor cells. These precursor cells - which are isolated from a simple blood collection - are generated from a core population of cells named "Synergetic Cell Population" (SCP). The Hemostemix technology enables proprietary cells, grown from a patient's blood, to be injected into that same patient's diseased tissue in order to restore its function. In addition to its capacity to grow new blood vessels, SCP can, using proprietary cell-culturing techniques, give rise to other cell types, such as cardiomyocyte-like and neural-like precursor cell growing SCP into neural –like precursor cells is the scope of patent CA 2,632, 836, recently issued in Canada and titled "Production from Blood of Cells of Neural Lineage".

Corporate and Board of Director Updates:

There were Board of Director changes during 2016. On May 20, 2016, the Company announced the resignations of Bill Baker and Jim Brown as directors of the Corporation. Mr. Baker retired as Chairman effective April 15, 2016 and the Board unanimously elected Victor Redekop, CA, a current director and founding shareholder of the Corporation, as Chairman. On August 9, 2016, the Company announced the resignation of David Wood as a director. On August 11, 2016, it was announced that Robert J. Bard and Angus Jenkins were appointed to its board of directors. It was announced on September 9, 2016, that the results from the Company's 2016 Annual and Special Meeting of Shareholders, that the shareholders approved fixing the number of directors at four, elected the following to serve as board members until the next annual election of directors: Robert J. Bard, Robert L. Buckler, Angus Jenkins, and Victor Redekop.

In Calgary, Alberta on August 22, 2016, a group of Company shareholders announced that they intended to propose resolutions for shareholder approval at the Company's annual general and special meeting of shareholders held on September

8, 2016 to (i) fix the number of directors on the Company's board of directors at four, as opposed to the number of five proposed in the information circular of the Company dated August 8, 2016; (ii) elect four directors, including Jed Wood and three additional new independent directors, to the board. *(See Reorganization below for further developments.)*

Reorganization:

On December 22, 2016, Hemostemix announced a reorganization. The Company announced the execution of a management contractor agreement with Drive Capital Inc. ("Drive") dated December 16, 2016. Pursuant to the agreement, Drive will oversee and manage all aspects of a corporate reorganization of Hemostemix, including the appointment of a new Board of Directors and management team. Drive shall report directly to the new Board and will assist with the implementation of all corporate actions deemed necessary to ensure the financial sustainability of Hemostemix. The agreement has a term of two years and Drive will be compensated based on 15% of the total operating expenses over the term of the agreement and options to acquire common shares in the capital of the Issuer to be granted from time to time in an amount equivalent to seven percent (7%) of the Client's total issued and outstanding Shares.

Hemostemix also announced it reached an agreement with the holders of its $644,000 promissory notes and $500,000 of demand loans to convert the debts into common shares of Hemostemix at prices of $0.16 and $0.20, respectively. The conversion will result in the aggregate issuance of 6,525,000 common shares of the company. Hemostemix along with the holder of its previously issued $1,000,000 secured convertible debenture, have approved the sale of the debenture to Drive Capital. The debenture was originally issued pursuant to a private placement which closed on September 2, 2016 (*refer to the company's news release dated September 2, 2016 for details of the terms and conditions of the debenture and promissory notes).*

Hemostemix also announced it will issue 200,000 common shares at a deemed price of $0.20 as final settlement of $40,000 owed pursuant to the terms of a Right of First Refusal Waiver Agreement dated April 20, 2016.

Subsequent to December 31, 2016, Hemostemix announced the resignation of Robert Bard as a director of the Company effective December 15, 2016 and the resignations of Victor Redekop and Lee Buckler as directors of the Company effective January 6, 2017. The remaining director of the Company, Angus Jenkins, appointed Messers. David L. Wood and Donald E. Friesen to fill two of the three vacancies on the Board.

Financing Activities: (*See note 8 in the Financial Statements for a more detailed description.)*

On August 11, 2016, due to investor feedback, the Company was amending the terms of a previously announced non-broker private placement offering which consisted of the issuance of up to 12,500,000 units at a price of $0.40 per unit, for aggregate maximum gross proceeds of up to CDN $5,000,000. Instead the Company announced it would complete a non-brokered private placement consisting of a combination of convertible senior secured debentures and unsecured promissory notes for gross proceeds of $1,610,000. On September 2, 2016, it was announced that the private placement was closed for aggregate gross proceeds of $1,644,000, representing an over-subscription of $34,000 from the amount originally disclosed. The loans are unsecured, bear no interest, and are repayable with no penalty on or before the date which is 12 months from the date of issuance. As $430,000 of the Notes are loans from insiders, the Insider Loan constitutes a "related party transaction".

In October 2016, Hemostemix received total proceeds of CDN$500,000 from the issuance of notes payable which are payable on demand.

Other Important Events:

The Company announced on August 29, 2016 that it had voided a strategic alliance agreement with Hemostemix Asia, Inc. ("HEMA"), a private, independent company based in Taipei, Taiwan. The agreement covered a manufacturing and commercial license of the Hemostemix ACP-01 technology to HEMA for treating critical limb ischemia (CLI) patients in Taiwan, China, and South Korea. According to the agreement, HEMA was supposed to raise US$5 million toward the implementation of their business plan and contribute up to 20 participants from three to five clinical sites in Taiwan to the ongoing Hemostemix phase-2 clinical trial for treating CLI. The agreement further designated Hemostemix as an equity partner with 35% ownership in HEMA. These obligations where not met as required. *(Hemostemix Inc. and Hemostemix Asia, Inc. are separate, unrelated, independent companies even though they have similar names.)*

OUTLOOK

In order to continue with research and development of its products and to restart the phase 2 clinical trials of ACP-01, the Company must accomplish some near-term tasks. Management continues to work on securing critical long term financing for the Company as outlined in the press release of April 10, 2017. In addition, the Company will be required to come to a satisfactory resolution of certain disputes including those with Hemostemix Asia, Inc. *(As indicated previously Hemostemix Inc. and Hemostemix Asia, Inc. are separate, unrelated, independent companies even though they have similar names.)*

In June 2016, the phase 2 clinical trials of ACP-01 used in the treatment of Critical Limb Ischemia (CLI) was suspended. At the same time the agreement with a contract research organization managing these clinical trials was terminated. During the first months of 2017, management has been actively reviewing and evaluating proposals from various other contract research organizations with the goal of being prepared to restart the clinical trials in an effective and efficient manner. The clinical trials will continue to be a randomized, placebo-controlled, double blind phase 2 clinical trial to confirm the safety and efficacy of ACP-01. Under the current FDA and Health Canada approved protocol approximately 99 patients will be followed for a minimum period of twelve months. Management expects that the full trial will take 30 to 36 months to complete once restarted. An interim analysis is anticipated after 42 patients have received treatment (or placebo) and sufficient follow-up information is available. This will be an important step in the development of ACP-01 and the expectation is that ACP-01 is meeting its safety and efficacy goals. The interim analysis could be conducted 18 to 24 months after the restart of the trials.

It is anticipated that the trials will be conducted at approximately 20 sites located throughout Canada and the United States. When the trails were suspended in 2016, there were a total of 13 patients enrolled in the trials at two sites in Canada. Management believes that these two sites and hopefully the patients will be able to participate in the reactivated trials.

While Hemostemix had initiated the trials using product manufactured in its own facility in Israel, the Company is also evaluating other manufacturing options to supply products for the clinical trial activities as well as to prepare for commercial distribution of ACP-01. To achieve commercial production of its lead product, ACP-01 for CLI, Hemostemix is required to obtain regulatory approval in each respective country it intends to market ACP-01. Management believes it may be possible to achieve regulatory approval in a few jurisdictions on the strength of positive phase 2 data, but in most jurisdictions clinical data from a phase 3 clinical trial will be required to obtain such approval. While focusing on developing ACP-01 through the clinical trial process in the United States and Canada, Hemostemix hopes to achieve commercialization alone or with partners in countries having a suitable regulatory framework.

To date, the Company's main activity has been focused on ACP-01 for CLI. Management believes that ACP-01 shows good indications of being a safe and effective therapy for certain heart related damage and will continue to do research in this area with the goal of obtaining regulatory approval for clinical trials. Management understands that it is important to continue to research and develop therapeutic products in order to reduce overall risk and increase the potential value of the Company. The Company has other proprietary cell products and it will continue to advance these through its pipeline with research, development and non-human testing towards first use in humans. The Company's intellectual property broadly covers synergetic cell populations bone cell precursors (BCPs), myocardial cell precursors (MCPs), and neural cell precursors (NCPs).

RESULTS OF OPERATIONS

Annual Comparison of Expenses	Year ended Dec 31, 2016	Year ended Dec 31, 2015	Dollar Increase (decrease)	Percentage Increase (decrease)
Research and development salaries and related benefits	**649,940**	**660,029**	(10,089)	-2%
Research and development consulting fees	**178,643**	**639,227**	(460,584)	-72%
Research and development expenses	**-**	**191,605**	(191,605)	-100%
Consultant fees	**1,348,725**	**1,135,095**	213,630	19%
Lease and office maintenance	**463,649**	**604,954**	(141,305)	-23%
Professional fees	**918,019**	**562,828**	355,191	63%
Travel expenses	**39,295**	**151,088**	(111,793)	-74%
Depreciation	**38,556**	**36,877**	1,679	5%
Accretion expense	**74,439**	**-**	74,439	100%
Foreign exchange loss (gain)	**34,976**	**(22,949)**	57,925	252%
Finance expenses	**2,275**	**3,565**	(1,290)	-36%
Change in fair value of derivative	**46,290**	**-**	46,290	100%
Net and comprehensive loss for the year before income tax expense	**(3,794,807)**	**(3,962,319)**	167,512	-4%
Income tax expense	**(10,295)**	**22,749**	(33,044)	-145%
Net and comprehensive loss for the year	**(3,784,512)**	**(3,985,068)**	200,556	-5%

Analysis of expenses

Research and development salaries and related benefits for the year ended December 31, 2016 were $649,940 compared to $660,029 for the year ended December 31, 2015, a decrease of $10,089 or 2%. Various resources were both added and reduced through fiscal 2016 with the overall effect being a small decrease. Towards the end of 2016, the research and development staff has been significantly reduced going into fiscal 2017.

Research and development consulting fees for the year ended December 31, 2016 were $178,643 compared to $639,227 for the year ended December 30, 2015, a decrease of $460,584 or 72%. This decrease resulted from the termination of the Company's clinical research organization, the temporary postponement of clinical trials and reduced activity throughout 2016 by this organization. The last patient trials where in March 2016. The Company is now evaluating various alternatives for continuing clinical trials with several trial sites and different operational process that can result in significantly better efficiencies and possible cost savings for future patient trials.

Research and development expenses for year ended December 31, 2016 were $Nil compared to $191,605 for the year ended December 31, 2015. This decrease relates to various out of pocket costs from clinical research that were not incurred in 2016 primarily due to the limited activity of the Company's clinical research organization.

Consultant fees for the year ended December 31, 2016 were $1,348,725 compared to $1,135,095 for the year ended December 31, 2015 representing an increase of 213,630 or 19%. This increase is primarily due to an accrual for a legal claim totaling $345,539 made by a former officer and a Company controlled by this officer who have sued based on a historical consulting services agreement, (see contingencies), partially offset by lower headcount in 2016.

Lease and office maintenance for the year ended December 31, 2016 was $463,649 compared to $604,954 for the year ended December 31, 2015 representing an decrease of $141,305 or 23%. Lease and office maintenance include rent for leased space for the labs in Israel, costs for supplies and materials, equipment rental, courier and utilities, communications and office administration. This cost decreased due mainly to ongoing negotiations of various operational costs as clinical trial activity was slowed then stopped in March 2016.

Professional fees for the year ended December 31, 2016 were $918,019 compared to $562,828 for the year ended December 31, 2015, representing an increase of $355,191 or 63%. This significant increase can be explained by the professional fees incurred in 2016 relating to expenses of the proxy contest in connection with the Annual and Special Shareholders Meeting on September 8, 2016. In addition, investor communications services increased due to the costs relating to the proxy contest held prior to the 2016 Annual Meeting.

Travel expenses for the year ended December 31, 2016 were $39,295 compared to $151,088 for the year ended December 31, 2015, a decrease of $111,793 or 74%. This decrease is due to fewer consultants travelling during the year.

Depreciation was $38,566 for the year ended December 31, 2016 compared to $36,877 for the year ended December 31, 2015, an increase of $1,679 or 5%. This increase is predominately related to the office furniture and equipment additions in the respective fiscal years.

Accretion expense for the year ended December 31, 2016 was $74,439 compared to NIL in 2015. The accretion expense represents four months' amortization of the discount on convertible promissory notes payable and on the convertible debenture issued on September 2, 2016.

Foreign exchange loss (gain) for the year ended December 31, 2016 was a loss of $34,976 compared to a gain of $22,949 for the year ended December 31, 2015, an increase of $57,925. The loss in 2016 relates to an unrealized foreign exchange loss on assets denominated in US currency due to the weakening of the US dollar from January 1, 2016 to December 31, 2016.

Finance expenses for the year ended December 31, 2016 was $2,275 compared to $3,565 for the year ended December 31, 2015, a decrease of $1,290. This is related to slightly lower interest charges and fees incurred during the 2016 compared to 2015.

Change in the fair value of derivative was $46,290 for the year ended December 31, 2016 compared to NIL for the year ended December 31, 2015, an increase of $46,290. Pursuant to the private placement that closed on September 2, 2016, the Company received proceeds of $1,000,000 from the issuance of a convertible debenture. The debenture is non-interest bearing and due on September 2, 2019. The debenture is secured by a general security agreement and is convertible into units of the Company at a conversion price of $0.16 per unit. Each unit consists of one common share and one-half common share

purchase warrant, each entitling the holder to acquire one additional common share for $0.30 within 36 months from the date of conversion. The conversion feature has been recorded as a derivative liability as the exercise price may be adjusted upon the issuance or deemed issuance of additional common shares at a price less than the conversion price contained in the convertible debenture.

The fair value of the derivative liability upon issuance was $729,035 as valued using an option pricing model with the following assumptions: risk free rate of return of 1.06%, expected share volatility of 68.8%, dividend yield of 0%, expected life of 3 years, the probability of a subsequent equity raise and expected issuance price. The residual value of $270,965 was allocated to the convertible debenture liability. Accretion expense for the year ended December 31, 2016 was $41,694.

The derivative liability was re-valued as at December 31, 2016, using an option pricing model with the following assumptions: risk free rate of return of 1.06%, expected share volatility of 68.8%, dividend yield of 0%, expected life of 2.67 years, the probability of a subsequent equity raise and expected issuance price. Change in the fair value of the derivative liability for the year ended December 31, 2016 was $46,290.

Income taxes expense (recovery) was $(10,295) for the year ended December 31, 2016 compared to $22,749 for the year ended December 31, 2015, a decrease of $33,044 or 145%. This decrease is related to an income tax recovery of $26,030 recorded on the equity component of convertible debt and lower tax expenses in the Israel operations for the year ended December 31, 2016 compared to the prior year.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2016, there was a net cash outflow from operating activities of $2,690,215 compared to a net cash outflow of $3,545,122 for the year ended December 31, 2015, a decrease of $854,907:

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

Decrease in net loss for the year	200,556
Increase in depreciation of fixed assets	1,679
Increase in accretion expense	74,439
Increase in fair value of derivative	46,290
Deferred income tax recovery	(26,030)
Change in other receivables and prepaid expenses	(42,667)
Change in HST receivable	(228,450)
Change in accounts payable and accrued liabilities	804,717
Change in Income taxes payable	24,373
Decrease in the net cash used for operations	854,907

As at December 31, 2016 the Company had a working capital deficit of $3,251,405 compared to a working capital deficit of $17,540 at December 31, 2015, a deficit increase of $3,233,865. This higher working capital deficit is a result of;

1) A decrease in cash of $471,747;

2) A decrease in HST receivable of $2,900;

3) A decrease in other receivables and prepaid expenses of $5,269;

4) An increase in accounts payable and accrued expenses of $902,508;

5) An increase of demand notes payable of $500,000;

6) An increase of convertible promissory notes payable of $578,508;

7) An increase of derivative liability of $775,325, offset by

8) A decrease in income taxes payable of $2,392;

During the year ended December 31, 2016 the Company closed a private placement offering of secured debentures and promissory notes for aggregate gross proceeds of $1,644,000. The Offering consisted of a $1,000,000 convertible senior secured debenture from an arm's-length party and $644,000 of unsecured convertible promissory notes including $464,000 advanced from current insiders of the Company. The terms of the Notes include a conversion feature allowing the holder to convert the Notes into common shares at a conversion price of $0.16 per common share. The Notes bear no interest unless there is a change of control, in which case the interest rate becomes 10%, and is repayable with no penalty on or before the date which is twelve months from the date of issuance. The proceeds were used to finance the Company's ongoing working capital requirements.

Outstanding Share Data

As at December 31, 2016, the number of outstanding shares was 67,858,119 (December 31, 2015 – 67,098,119). During the year ended December 31, 760,000 purchase share options were exercised for proceeds of $76,000.

As at April 28, 2017 the number of shares outstanding was 74,583,119.

As at December 31, 2016, the Company had 2,670,000 share purchase options outstanding (December 31, 2015 – 5,305,000). During the year ended December 31, 2016 760,000 share options were exercised at $0.10 per share, and 1,875,000 were cancelled during the year.

As at April 28, 2017, the number of outstanding share purchase options remained at 2,670,000.

As at December 31, 2016, the Company had 1,885,691 share purchase warrants outstanding (December 31, 2015 – 1,885,691). During the year ended December 31, 2016 there were no warrants granted or exercised.

As at April 28, 2017 the number of outstanding warrants remained at 1,885,691.

SEGMENTED INFORMATION

The Company had two geographical segments as at and for the years ended December 31, 2016 and 2015 respectively, comprising head office and general operations of Hemostemix Inc. in Canada and its wholly-owned subsidiary, Hemostemix Ltd. in Israel.

	Year ended December 31, 2016			Year ended Decenmber 31, 2015		
	Canada	**Israel**	**Total**	Canada	Israel	Total
Current assets	**57,372**	**67,901**	**125,273**	417,310	187,879	605,189
Total assets	**57,372**	**169,739**	**227,111**	417,310	379,498	796,808
Total liabilities	**3,175,537**	**201,141**	**3,376,678**	484,885	137,844	622,729
Depreciation	**-**	**38,556**	**38,556**	-	36,877	36,877
Total expenses	**2,749,981**	**1,044,826**	**3,794,807**	2,722,630	1,239,689	3,962,319
Income tax (recovery) expense	**(26,030)**	**15,735**	**(10,295)**	-	22,749	22,749
Net and comprehensive income (loss)	**2,723,951**	**1,060,561**	**3,784,512**	2,722,630	1,262,438	3,985,068

SUBSEQUENT EVENTS AND NEWS

1. **January 5 and 6, 2017 – Resignation of Directors**

   On January 5, 2017 Hemostemix announced the resignation of Robert Bard as a director of the Company effective December 15, 2016. On January 6, 2017 Hemostemix announced the resignations of Victor Redekop and Lee Buckler as directors of the Company effective January 6, 2017.

2. **January 25, 2017 – Hemostemix Announces Progress and Details of Reorganization**

   Hemostemix announced additional progress and details of the corporate reorganization of the Company originally announced on December 22, 2016 including the appointment of new directors and the sale of the Issuer's convertible debenture.

   As announced by the Company on January 5 and 6, 2017, Messers. Robert Bard, Victor Redekop and Robert L. Buckler have all resigned as directors of the Company, creating three vacancies on the Company's board of directors. The remaining director of the Company, Angus Jenkins, appointed Messers. David L. Wood and Donald E. Friesen to fill two of the three vacancies on the Board. These two appointments have been ratified and confirmed by Drive Capital

Corp. in accordance with its role pursuant to the management contractor agreement announced on December 22, 2016.

The newly reconstituted Board confirmed that Angus Jenkins will continue to serve as Chair of the Board. In addition, the Board re-established the Company's Audit Committee and Corporate Governance and Compensation Committee, with all three of the current directors serving on both committees and Mr. David L. Wood serving as Chair of both committees.

Also in accordance with the Management Agreement, the Board has appointed Mr. Kyle Makofka as Chief Restructuring Officer. Mr. Makofka is currently the Managing Director of Drive Capital Corp. (founded in 2012), a private equity company focused on developing unique business through technology innovation and implementing quality based business management systems elevating companies to unrealized potential.

The Company also announced that it converted $1,184,000 in debt with the issuance of 6,725,000 shares of the Company. The debt conversions included (a) $644,000 in promissory notes converted at $0.16 per share resulting in the issuance of 4,025,000 Shares, (b) $500,000 of demand loans at $0.20 per share resulting in the issuance of a further 2,500,000 Shares, and (c) $40,000 owed pursuant to a Right of First Refusal Waiver Agreement resulting in a further issuance of 200,000 Shares. In addition, on January 25, 2017 the Company secured a demand loan agreement providing $750,000 in funding at an annual rate of 12% compounded and payable (interest only) monthly.

The Company also confirms that its $1,000,000 secured convertible debenture, described in the Company's news releases of August 11 and September 2, 2016, was formally acquired by Drive Capital as initially announced on December 22, 2016. Drive Capital has since sold the Debenture to Wood Capital Ltd., a Barbados-based private equity investment firm controlled by Mr. Blake Wood, the adult son of Mr. Jed M. Wood., who controls Drive Capital.

In the midst of formalizing arrangements with the original subscriber for the Debenture for the acquisition of the Debenture, Drive Capital also agreed to provide emergency funding to the Company in an effort to allow it to satisfy certain critical trade payables. The emergency funding was provided pursuant to a demand loan agreement between the Company and Drive Capital.

The Demand Loan Agreement provides for advances up to CDN $750,000 to be advanced in one or more tranches subject to the discretion of the lender. CDN $375,000 has been advanced pursuant to the Demand Loan Agreement to date. Amounts advanced under the Demand Loan Agreement will bear an annual rate of interest of 12% compounded and payable (interest only) monthly. The amounts advanced under the Demand Loan Agreement are secured by the same general security agreement granted by the Company as collateral security for the Debenture. Amounts advanced under the Demand Loan Agreement together with applicable interest is repayable on demand. Concurrent with Drive Capital's sale of the Debenture to Wood Capital, Drive Capital has also assigned the Demand Loan Agreement and sold the related indebtedness of the Company thereunder to Wood Capital Ltd.

3. February 8, 2017 - Hemostemix Announces Additional Progress on Reorganization

Hemostemix announced additional progress and details of the corporate reorganization of the Company originally announced on December 22, 2016 and updated by announcements on January 25, 2017, including further details regarding the management contractor agreement with Drive Capital.

As announced by the Company on December 22, 2016, the Company has entered into a management contractor agreement with Drive Capital pursuant to which Drive Capital is to be compensated by way of (a) fees based on 15% of the total operating expenses over the term of the Management Agreement, and (b) options to acquire common shares to be granted from time to time in an amount equivalent to seven percent (7%) of the Company's total issued and

outstanding shares (the "Option Pool").

The Management Agreement further provides that grants from this Option Pool are to be allocated as determined by Drive Capital, among new management and/or consultants of the Company recruited and/or engaged during the term of the Management Agreement as well as to Drive Capital. The Company and Drive Capital expect that, in addition to compensating Drive Capital directly, grants from the Option Pool will be used to attract and retain new management and/or consultants and other qualified personnel, and motivate them to achieve the Company's strategic objectives in conjunction with the long-term interests of shareholders.

It is expected that initial grants from the Option Pool will be made concurrent with the closing of the first equity financing completed by the Company during the term of the Management Agreement, if any, with an exercise price being the lesser of (a) the discounted market price of the shares at that time, and (b) the equivalent of the per share price of the financing, but in any event no less than the discounted market price of the shares at that time. It is also expected that grants from this Option Pool will be made pursuant to the Company's existing incentive stock option plan and as such be subject to the general terms of the Option Plan and all applicable policies of the TSXV, including without limitation those that provide for maximum issuances to single participants under the Option Plan in any 12-month period.

The Company also announced that it has received the remaining CDN $375,000 in emergency funding for the Company to satisfy certain critical trade payables pursuant to the demand loan agreement between the Company and Wood Capital Ltd. The maximum available amount of CDN $750,000 to be advanced pursuant to the Demand Loan Agreement has now been extended. There are no additional amounts available to the Company under the terms of the Demand Loan Agreement.

The Company also announced that in order to meet its ongoing obligations and further develop and execute on its business plan, additional capital will be required. The Company together with Drive Capital is actively engaged in planning related to equity financing options with pricing likely to be at the discounted market price of the shares at the time of such financing.

The Company is actively seeking to concurrently conditionally settle certain debts with various suppliers whereby such debts would be paid for in whole or in part by way of the issuance of additional common shares at a price equivalent to the pricing of a forthcoming equity financing should one be completed. The Company presently estimates that the debts it reasonably may expect to settle with shares in this fashion to be in the range of CDN $1,000,000 and CDN $1,300,000.

In addition to shares for debt settlements with suppliers, the Company is actively seeking to concurrently conditionally settle existing litigation, in whole or in part in a similar fashion. In particular, the Company confirms it is engaging in discussions with Hemostemix (Asia) Corporation ("HEMA"), which has sued the Company over the termination by the Company of the agreements entered into by it with HEMA, and is seeking CDN $50 million in damages. The Company disputes the total amounts claimed by HEMA. Also, the Company is engaging in discussions with a former officer Robert Achtymichuk and a company he controls, who have sued based on a historical consulting services agreement. The Company disputes the total amounts claimed by Mr. Achtymichuk but did not have the financial resources available to it to defend his litigation in the ordinary course, and as a result he has obtained a default judgment and a writ of enforcement based thereon in the amount of $331,052.92 plus $4,485.90 in costs. Further, the Company is engaging in discussions with two other former executives with whom the Company has defaulted on amounts payable under settlement agreements negotiated with them. Pursuant to the settlement agreements, they are to be paid cash settlement amounts on a monthly basis. One of those former executives, Rahul Sarugaser has now obtained a judgment against the Company based on his prior settlement agreement for CDN $100,000 plus costs in the amount of CDN

$2,300. No further payments are required and the settlement is now paid in full.

The Company also announces that Dr. Elmar Burchardt has stepped down as President and CEO with immediate effect. Dr. Burchardt was appointed CEO in 2014 in connection with the qualifying transaction between its predecessor entities Technical Ventures RX Corp. and TheraVitae Inc. that resulted in the formation of Hemostemix and subsequently also served the Company as its President and a director.

Upon and following his resignation, Dr. Burchardt has made a variety of demands based on allegedly unpaid compensation payable. The Company is investigating Dr. Burchardt's demands generally, specifically disputes the merits of certain of them and intends to defend any formal legal claims that may arise based on such disputed demands.

The recently reconstituted board of directors (the "Board") together with Chief Restructuring Officer, Mr. Kyle Makofka, will work to determine the appropriate replacement for Dr. Burchardt. During the search process, the Board together with Drive Capital will provide direction and oversight to the Company's executive team, including the Chief Restructuring Officer, the Chief Financial Officer, Mr. David Berman and the Vice President, Research and Development, Dr. Ina Sarel, as they continue to manage the day to day operations of Hemostemix.

In keeping with the announcement of the Company on January 6, 2017, trading of the Shares on the TSXV was halted on January 6, 2017 at the request of the Company based on it having only one remaining director at that time. Based in part on the reconstitution of the Board and the re-establishing of the Company's Audit Committee and Corporate Governance and Compensation Committee first announced on January 19, 2017 the TSXV has confirmed that trading of the Shares will resume on February 10, 2017.

The Shares of the Company have historically been quoted on the OTCQX market of OTC Markets Group under the trading symbol HMTXF. In December 2016, the Company decided not to maintain this U.S. listing.

4. March 21, 2017 - Hemostemix Announces Corporate Updates

Hemostemix announced additional progress and details of the corporate reorganization of the Company originally announced on December 22, 2016 and updated by announcements on January 25, 2017 and February 8, 2017.

As previously announced, to enable the Company to meet its ongoing obligations and further develop and execute on its business plan, additional capital is required. The Company together with Drive Capital continues to be actively engaged in planning related to financing options to allow the Company to continue to operate, however there can be no assurance that the Company will be able to obtain such financing on terms acceptable to the Company or at all. The Company's inability to raise financing to support ongoing operations and obligations may have a material adverse effect upon the Company.

Although the Company has made strides to conditionally confirm arrangements to settle certain debts with various suppliers, these arrangements are all conditional on the Company successfully raising additional capital as they involve cash payment obligations and it is expected that these and other similar claims against the Company will likely go unsatisfied if additional financing cannot be obtained and the current first priority secured creditor Wood Capital Ltd. enforces its security.

The status of these supplier claims as well as the Company's still unresolved active litigation, including that with Hemostemix (Asia) Corporation and Robert Achtymichuk as well as the prospects of additional claims, including from former CEO Dr. Elmar Burchardt has made it difficult for the Company to attract and secure possible investment.

Further complications to the efforts to attract and secure possible financing for the Company have arisen based on due diligence focused on the status of the Company's phase 2 clinical trial. Serious concerns have been raised as to the integrity of the data collected to date, as well as the continuing usefulness (or lack thereof) of samples and data relating to patients being treated at the time the Company's master services agreement relating to clinical services was terminated by Criterium Inc. as announced by the Company on June 28, 2016. Although Criterium and its applicable affiliates have

been generally cooperative with the Company in terms of a willingness to assist with these matters, Criterium has now alleged that they are owed significant amounts in unpaid fees by the Company.

To the extent, the phase 2 clinical trial samples and data in question cannot be salvaged in whole or in part: (a) the Company's budget for continuing on with its research-focused business plan may need to be significantly expanded; and (b) the fair market valuation of the Company without accounting for any new capital may be significantly eroded.

To the extent that no additional financing is obtained by the Company, there is a realistic possibility that Wood Capital Ltd. may be forced to institute a receivership or otherwise take steps to enforce security for its loans. Wood Capital Ltd. holds a first priority security position over all of the Company's assets in support of its CDN $1,000,000 secured convertible debenture, described in the Company's new releases of August 11 and September 2, 2016 (the "Debenture") and its CDN $750,000 demand loan agreement with the Company, of which 2 tranches of $375,000 where drawn on of January 9, 2017 of February 12, 2017 (the "Demand Loan Agreement") described in the Company's news releases of January 25 and February 8, 2017.

5. April 10, 2017 - Hemostemix Announces CDN$4,400,000 Senior Secured Debt Financing and Plans to Undertake a Private Placement for up to CDN$8,000,000

The Company announced that an agreement has been reached with a private equity investment firm, on a non-brokered senior secured debt financing of $4,400,000 in one or more tranches with possible conversion privileges. The agreement also contemplates that the Company is to complete a non-brokered or brokered private placement or placements of a minimum of $4,000,000 up to a maximum of $8,000,000 on terms substantially similar to the conversion privileges in respect of the Secured Debt Financing above.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 to the audited annual consolidated financial statements for a detailed description of our significant accounting policies.

STANDARDS ISSUED BUT NOT YET ADOPTED

The following are not expected to be adopted prior to their effective dates, and are being evaluated to determine their impact on the Company.

IFRS 9, Financial Instruments

IFRS 9 – Financial Instruments was issued by the IASB to establish principles for the financial reporting of financial assets and liabilities, including requirements to present certain information relating to the amounts, timing, and uncertainty of the entity’s future cash flows. This standard is mandatorily effective from January 1, 2018, with earlier application permitted. Management intends to adopt IFRS 9 on its effective date and has not yet determined the potential impact on the Company’s consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1,

2018, and provides new requirements for recognizing revenue. IFRS 15's core principle is for a company to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 sets out enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The Company intends to adopt the new Standard on its effective date and has yet to consider the impact on its financial reporting.

IFRS 16 – Leases

IFRS 16 - Leases sets out a new model for lease accounting, replacing IAS 17. IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company adopts IFRS 15.

COMMITEMENTS AND CONTINGENCIES

Lease commitments

The Company and the facility's lessor signed a laboratory and office lease agreement in September 2014. The last leasing period under this agreement expires in 2017.

The minimum lease commitments are as follows:

2017	$ 109,269

Contingencies

In 2013, a former CEO and current Director of the Company, sued the Company due to unpaid compensation fees in an amount of $138,000, with regards to 2008 until 2010 years. On August 16, 2013, the Company filed a statement of defence to the lawsuit. Management does not consider it probable that it must make any cash outflow therefore; the Company has not recorded a provision.

In 2015, the Company was party to a claim made by a former officer and director related to share options held in escrow. While management reached a settlement with this individual for a total of $120,000, a claim was made after the settlement. Management further settled this claim related to options and the cash settlement and has included the payments owing in accounts payable in the amount of $60,000, and the options remain issued and outstanding.

In 2015, the Company was party to a claim made by a former officer related to salary, bonus and options. Management settled the claim on August 12, 2016 in the amount of $100,000 and subsequent to the end of December 31, 2016, the claim was paid in full. The full amount of this claim is included in accounts payable.

In 2016, the Company was party to a claim made by a former officer and a Company controlled by this officer who have sued based on a historical consulting services agreement. The Company disputes the amounts claimed, but did not have the financial resources available to defend this litigation in the ordinary course of business, and thus, this party has obtained a judgement in the total amount $345,539. The full amount of this claim is included in accounts payable. The Company is currently negotiating a new form of settlement with this party to try and avoid the possibility that the judgement is enforced, although management maintains that the likelihood of cash outflow is probable.

Consulting Agreement

The Company entered an agreement with Criterium to provide clinical research. The value of the agreement with Criterium was approximately US$3.1 million to be allocated over the 30-month span of the trial as the expenses were incurred. As at December 31, 2016, the Company paid Criterium US$1,368,220 (CAD$1,833,415). Of the initial payment, US$150,000 (CAD$201,232) was required as a deposit for clinical research activities that was to be maintained and replenished as costs were incurred by Criterium.

On June 28, 2016, Criterium notified the Company that it has terminated the agreement. As a result, Hemostemix a placed hold on enrollment for its phase 2 clinical trials in Canada and South Africa. As a result, at December 31, 2016, the deposit was applied to invoices and reduced to $Nil resulting in a net balance payable to Criterium of US$71,290 (CAD$90,565). With the termination of this agreement, Criterium is no longer be providing any services for the Hemostemix phase 2 clinical trials, including, any further monitoring visits. The Company is evaluating its options as to how it will continue with the clinical trials and ensure patient follow up; however, management has decided to cease enrolling any new patients into the trial until there is assurance these patients can be treated in a timely fashion.

Licensing Agreement

In 2015, the Company announced that it had formed a strategic alliance with Hemostemix Asia, Inc. ("HEMA"), a private, independent company based in Taipei, Taiwan. The agreement covered a manufacturing and commercial license to HEMA of the Company's ACP-01 technology for treating critical limb ischemia patients in Taiwan, China and South Korea.

On August 29, 2016, the Company announced that it has terminated this agreement with HEMA. Per the agreement, HEMA was supposed to raise US$5 million toward the implementation of their business plan and contribute up to 20 participants from three to five clinical sites in Taiwan to the ongoing Hemostemix phase-2 clinical trial for treating CLI. The agreement further designated Hemostemix as an equity partner with 35% ownership in HEMA. These obligations were not met as required. HEMA has sued the Company over the termination of this agreement and is seeking $50,000,000 in damages. The Company disputes the total amounts claimed by HEMA and is currently in discussion and negotiation to have the agreement re-instated subject to certain new conditions and terms, nevertheless, there is no assurance that the Company will be able to re-instate the agreement and have this claim dropped. The Company has not recorded a provision, as negotiations are ongoing and the Company believes that a monetary settlement is not probable.

Management Agreement

Effective December 16, 2016, the Company entered into a Management Contractor Agreement to oversee and manage a reorganization of the Company including the appointment of a new board of directors and management team. The agreement has a term of two years and the contractor will be compensated based on 15% of total operating expenses over the term of the agreement and options to acquire 7% of the Company's outstanding shares.

Under the terms of this agreement, Kyle Makofka was appointed as Chief Restructuring Officer ("CRO").

RELATED PARTY BALANCES AND TRANSACTIONS

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

The following includes all compensation to key management personnel:

The Company incurred $495,569 (2015 - $569,252) in consulting fees to two directors and officers and another officer of the Company during the year ended December 31, 2016. As at December 31, 2016, the Company has $194,698 in accounts

payable and accrued liabilities owing to these directors and officers (December 31, 2015 - $68,260).

Proceeds from directors as part of private placements in 2016 amounted to $Nil (2015 - $300,300).

Proceeds of $76,000 were received from the exercise of 760,000 share options from 2 former directors of the Company in 2016 (2015 – $37,500, 375,000).

Proceeds from directors and shareholders in the form of promissory notes payable issued during the 2016 amounted to $464,000. (2015 – Nil).

DISCLOSURE CONTROLS AND 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, 2016, 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

Possible Failure to Realize Anticipated Benefits of the Arrangement

Hemostemix completed a "going public" transaction by way of a reverse take-over in November 2014, to create a stronger and better positioned entity to strengthen their position in the clinical stage biotechnology industry and to create the opportunity to realize certain benefits including, among other things, the commercialization of the stem cell industry, increased liquidity, greater access to capital markets and increased ability to pursue and the development and acquisition opportunities. Achieving the benefits of this transaction depends, in part, on successfully consolidating the operations of Hemostemix in an efficient manner. There can be no assurance that, after giving effect to the transaction, Hemostemix will be able to realize the anticipated growth opportunities and synergies required to achieve the anticipated benefits.

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 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 products are at an early stage of development. Significant additional investment in research and development, product validation, technology transfer to manufacturing, production scale-up, manufacturing, clinical testing, and regulatory submissions of such product candidates is required prior to commercialization. There can be no assurance that any such products will actually be developed. The development and regulatory processes may require access to raw materials and inputs which may not be available to Hemostemix in sufficient amounts or in a timely fashion to allow Hemostemix to complete the development or receive regulatory approval of any product or process. A commitment of substantial time and resources is required to conduct research and clinical trials if Hemostemix is to complete the development of any product. It is not known whether any of these product or process candidates will meet applicable health regulatory standards and obtain required regulatory approvals, or whether such products can be produced in commercial quantities at reasonable costs and be successfully marketed, or if Hemostemix 's investment in any such products will be recovered through sales or royalties.

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

animal and 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 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, impose similar restrictions.

Hazardous Materials and Environmental Matters

Certain of Hemostemix 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 success will depend in part on its ability to obtain, maintain, and enforce patent rights, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that pending patent applications will be allowed, that Hemostemix will develop additional proprietary products that are patentable, that issued patents will provide Hemostemix with any competitive advantage or will not be challenged by any third parties, or that patents of others will not have an adverse effect on the ability of Hemostemix to do business.

Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Hemostemix products, or design around the products patented by Hemostemix. In addition, Hemostemix may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to Hemostemix. If Hemostemix does not obtain such licenses it could encounter delays in introducing one or more of its products to the market, while it attempts to design around such patents, or could find that the development, manufacturing or sale of products requiring such licenses could be foreclosed. In addition, Hemostemix could incur substantial costs in defending itself in suits brought against it on such patents or in suits where it attempts to enforce its own patents against other parties.

Until such time, if ever, that patent applications are filed, the ability of Hemostemix to maintain the confidentiality of its

technology may be crucial to its ultimate possible commercial success. While Hemostemix has adopted procedures designed to protect the confidentiality of its technology, no assurance can be given that such arrangements will be effective, that third parties will not gain access to Hemostemix trade secrets or disclose the technology, or that Hemostemix can meaningfully protect its rights to its trade secrets.

Dependence on Collaborative Partners, Licensors and Others

Hemostemix activities will require it to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its products. Hemostemix intends to attract corporate partners and enter into additional research collaborations. There can be no assurance, however, that Hemostemix will be able to establish such additional collaborations on favorable terms, if at all, or that its current or future collaborations will be successful. Failure to attract commercial partners for its products may result in Hemostemix incurring substantial clinical testing, manufacturing and commercialization costs prior to realizing any revenue from product sales or result in delays or program discontinuance if funds are not available in sufficient quantities.

If any collaborative partner fails to develop, manufacture, or commercialize successfully any product to which it has rights, or any partner's product to which Hemostemix will have rights, Hemostemix 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 competitors, as a means for developing treatments for the diseases targeted by Hemostemix programs.

Furthermore, Hemostemix will hold licenses for certain technologies and there can be no assurance that these licenses will not be terminated, or that they will be renewed on conditions acceptable to Hemostemix. Hemostemix intends to negotiate additional licenses in respect of technologies developed by other companies and academic institutions. Terms of license agreements to be negotiated may include, inter alia, a requirement to make milestone payments, which may be substantial. Hemostemix will also be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and, in some instances, may be responsible for the costs of filing and prosecuting patent applications. Should any of Hemostemix licensees breach their regulatory, clinical, operational or legal requirements this may impact Hemostemix reputation and/or ability to conduct its business or make progress as anticipated.

Rapid Technological Change

The biotechnology and pharmaceutical industries are characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render Hemostemix proposed products or technologies noncompetitive, or that Hemostemix will keep pace with technological developments. Competitors have developed or are developing technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the desired diagnostic or therapeutic effect as compared with products to be developed by Hemostemix, and could be more effective and less costly than the products to be developed by Hemostemix. In addition, alternative forms of medical treatment may be competitive with Hemostemix products.

Competition

Technological competition from pharmaceutical companies, biopharmaceutical companies and universities is 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 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.

Potential Product Liability

Pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. Product liability insurance is costly; availability is limited and may not be available on terms which would be acceptable to Hemostemix, if at all. An inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Hemostemix 's products. A product liability claim brought against Hemostemix, or withdrawal of a product from the market, could have a material adverse effect upon Hemostemix and its financial condition.

Manufacturing

Hemostemix product manufacturing is currently done at a single facility without secondary backup. Hemostemix ability to conduct its clinical trial depends on its uninterrupted ability to manufacture product and ship product in and out of its facility location.

Reliance on Key Personnel

Hemostemix is dependent on certain members of its management and scientific staff as well as consultants and contractors, the loss of services of one or more of whom could adversely affect Hemostemix. In addition, Hemostemix's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees. There can be no assurance that Hemostemix will be able to successfully attract and retain skilled and experienced personnel.

Lack of Product Revenues and History of Losses

To date, Hemostemix has not recorded any revenues from the sale of biopharmaceutical products. Hemostemix expects to incur additional losses during the periods of research and development, clinical testing, and application for regulatory approval of its product candidates. Hemostemix expects to incur losses unless and until such time as payments from corporate collaborations, product sales and/or royalty 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 Shares, if traded publically, may be subject to significant price and volume fluctuations and may continue to be subject to significant price and volume fluctuations in the future. Hemostemix has not paid dividends to date and does not expect to pay dividends in the foreseeable future.

Conflict of Interest

Certain of the directors and senior officers of Hemostemix may, from time to time, be employed by or affiliated with organizations which have entered into agreements with Hemostemix. As disputes may arise between these organizations and Hemostemix, or certain of these organizations may undertake or have undertaken research with competitors of Hemostemix, there exists the possibility for such persons to be in a position of conflict. Any decision or recommendation made by these persons involving Hemostemix will be made in accordance with his or her duties and obligations to deal fairly and in good faith with Hemostemix and such other organizations. In addition, as applicable, such directors and officers will refrain from voting on any matter in which they have a conflict of interest.

No Key Man Insurance

The Company does not currently have key man insurance in place in respect of any of its senior officers or personnel.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company's main focus is to develop autologous, blood-derived cell therapies primarily for the treatment of severe medical conditions not adequately addressed by current treatments. The Company is currently conducting a Phase 2 clinical trial in patients with critical limb ischemia.

To achieve commercialization of its products, the Company must obtain regulatory approval in each respective jurisdiction it intends to market its products. Management of Hemostemix believes it may be possible to achieve this in certain jurisdictions on the basis of positive phase 2 clinical trial data, but in most jurisdictions additional clinical data from larger clinical trials will be required to obtain such approval.

Hemostemix does not currently distribute any commercial products or provide any commercial services in any markets. Future revenues should come through royalty payments from partnering, or through direct commercialization of its products.