Hemostemix Inc.

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

For the six months ended June 30, 2017 and 2016 as at August 29, 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 three and six months ended June 30, 2017 and June 30, 2016, 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 interim unaudited condensed consolidated financial statements of the Company for the three and six months ended June 30, 2017 and June 30, 2016 along with the accompanying notes. These interim unaudited condensed consolidated financial statements do not contain all disclosure required by IFRS for annual financial statements, and accordingly should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2016. All financial analysis, data and information set out in this MD&A are unaudited. The unaudited interim condensed financial statements and MD&A have been reviewed by the Audit Committee of the Company and have been approved by the 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.om.

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

During 2014, the Company completed a reverse takeover transaction pursuant to which Technical Ventures RX Corp., a public company closed a qualifying transaction with Theravitae Inc. and the two parties amalgamated to form a new entity under the Business Corporations Act (Alberta) called "Hemostemix Inc." . The TSX Venture Exchange accepted the filing of the Company's Qualifying Transaction effective November 27, 2014, resulting in the shares of the Company beginning to trade on the Exchange under the symbol "HEM".

Pursuant to the transaction all outstanding Technical Ventures RX Corp. securities were exchanged for securities on the new entity on a one for five basis; and all outstanding Theravitae Inc. securities were exchanged on a one for ten basis.

The unaudited interim condensed 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 The Company's head office is located at 5220 Duncan Ave Blackfalds AB T0M 0J0. Hemostemix Ltd. was incorporated on June 20, 2011 in Israel and Kwalata Limited was incorporated on November 1, 2007 in Cyprus.

The unaudited interim condensed 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

The following table provides selected unaudited consolidated financial information for the Company as at and for the six months ended June 30, 2017 and June 30, 2016.

	As at June 30, 2017 Total $	As at June 30, 2016 Total $
Current assets	**169,489**	159,093
Total assets	**251,327**	330,180
Total liabilities	**3,588,113**	1,469,499
	Six months ended June 30, 2017 Total $	Six months ended June 30, 2016 Total $
Total expenses	**1,051,872**	1,311,747
Net and comprehensive loss	**(1,058,560)**	(1,323,398)
Basic and diluted loss per share	**(0.01)**	(0.02)

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 unaudited interim condensed consolidated financial statements and notes to the financial statements for the six months ended June 30, 2017 and 2016.

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 six months ended June 30, 2017; 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's proprietary platform technology is based on more than 10 years of clinical data demonstrating the ability of our autologous cell product to regenerate diseased and damaged tissue. Our technology has the potential to generate therapies for a broad range of ischemic diseases. Hemostemix has developed cell therapy products from a patient's own blood which is a relatively low risk, cost effective and non-invasive source of therapeutic cells. Hemostemix, through its wholly owned subsidiary, Hemostemix Ltd., in Israel, conducts research and development as wells as manufacturing the cell therapy products for clinical trials.

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).

Product Development and Clinical Trial Updates:

In 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”

Reorganization:

On December 22, 2016, Hemostemix announced a reorganization. The Company announced the execution of a management contractor agreement with Drive Capital, a private equity company focused on developing unique business through technology innovation and implementing quality based business management systems elevating companies to unrealized potential. Pursuant to the agreement, Drive Capital is now overseeing and managing all aspects of a corporate reorganization of Hemostemix. Drive Capital reports directly to the new Board and assists 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 Capital 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 January 2017, the reorganization efforts continued with changes to its Board of Directors and the appointment of new directors David L. Wood and Donald E. Friesen to fill two of the three vacancies on the Board, while Angus Jenkins remained on the Board. 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.

On February 8, 2017, the Company also announced that Dr. Elmar Burchardt had stepped down as President and CEO. Also in accordance with the Management Agreement, the Board appointed Mr. Kyle Makofka as Chief Restructuring Officer. Mr. Makofka is currently the Managing Director of Drive Capital.

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 an emergency funding 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, acquired by Drive Capital as initially announced on December 22, 2016, 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.

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. On April 10, July 11, 21 and August 15, 2017, the Company together with Drive Capital announced its plans and details around and multifaceted financing that included a rights offering, private placement, senior secured debt financing and a shares for debt exchange on certain trade payables. In addition, on August 17, 2017, the Company announced an agreement to settle the litigation with Hemostemix (Asia) Corporation ("HEMA") (see Subsequent Events). *(See Note 13 in Financial Statements – Commitments and Contingencies)*.

Strategic Alliance Agreement:

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 were not met as required.

HEMA proceeded to sue the Company over the termination of this agreement and is seeking $50,000,000 in damages.

On August 17, 2017, the Company announced an agreement with HEMA to resolve all outstanding matters with HEMA and see HEMA release all claims against the Company including the discontinuance of HEMA's $50,000,000 legal claim (see Subsequent Events). *(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, (as noted above and in Subsequent Events) for the Company as outlined in the press releases of April 11, July 11 and 21 and August 15, 2017.

In June 2016, the phase 2 clinical trials of ACP-01 used in the treatment of Critical Limb Ischemia 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 95 patients will be followed for a minimum period of twelve months. Management expects that the full trial will take 24 to 30 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 16 to 20 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, this facility is now being wound down and the Company is moving forward with other manufacturing options to supply products for the clinical trial activities as well as to prepare for commercial distribution of ACP-01 in a new North American facility. 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

Q2 Comparison of Expenses	**Six months ended June 30, 2017**	**Six months ended June 30, 2016**	**Dollar Increase (decrease)**	**Percentage Increase (decrease)**
Research and development salaries and related benefits	**206,079**	**378,452**	(172,373)	-46%
Research and development consulting fees	**7,162**	**71,420**	(64,258)	-90%
Consultant fees	**390,988**	**398,404**	(7,416)	-2%
Lease and office maintenance	**117,724**	**171,322**	(53,598)	-31%
Professional fees	**128,021**	**221,354**	(93,333)	-42%
Travel expenses	**-**	**30,325**	(30,325)	-100%
Depreciation	**20,000**	**19,266**	734	4%
Accretion expense	**140,818**	**-**	140,818	100%
Foreign exchange loss (gain)	**(1,006)**	**19,549**	(20,555)	-105%
Interest expense	**41,073**	**-**	41,073	100%
Finance expenses	**1,013**	**1,655**	(642)	-39%
Net and comprehensive loss for the period before income tax expense	**(1,051,872)**	**(1,311,747)**	259,875	20%
Income tax expense	**6,688**	**11,651**	(4,963)	-43%
Net and comprehensive loss for the period	**(1,058,560)**	**(1,323,398)**	264,838	-20%

Analysis of expenses

Research and development salaries and related benefits for the six months ended June 30, 2017 were $206,079 compared to $378,452 for the six months ended June 30, 2016, a decrease of $172,373 or 46%. Towards the end of 2016, the research and development staff was significantly reduced, specifically as the Company winds down its manufacturing facility in Israel, resulting in lower salaries and benefits in the first half of 2017 compared to 2016.

Research and development consulting fees for the six months ended June 30, 2017 were $7,162 compared to $71,420 for the six months ended June 30, 2016, a decrease of $64,258 or 90%. As noted, the Company is now planning to continue clinical trials with several trial sites and implement a different operational process, centered in North America, that can result in significantly better efficiencies and possible cost savings for future patient trials. The small costs incurred in the period relates to the retention of certain trial sites in North America and some small fees associated with them.

Consultant fees for the six months ended June 30, 2017 were $390,988 compared to $398,404 for the six months ended June 30, 2016 representing a decrease of $7,416 or 2%. This decrease is primarily due to the reorganization of key management consultants from last year to this year and the restructuring plans that are now underway.

Lease and office maintenance for the six months ended June 30, 2017 was $117,724 compared to $171,322 for the six months ended June 30, 2016 representing a decrease of $53,598 or 31%. 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 wind down and elimination of various operational costs as clinical trial activity was slowed then stopped.

Professional fees for the six months ended June 30, 2017 were $128,021 compared to $221,354 for the six months ended June 30, 2016, representing a decrease of $93,333 or 42%. This decrease can be explained by the incremental professional fees incurred in 2016 relating to the proxy battle as well as higher investor relations fees in the same period during the prior year.

Travel expenses for the six months ended June 30, 2017 were $Nil compared to $30,325 for the six months ended June 30, 2016, a decrease of $30,325 or 100%. This decrease is due to consultants not travelling during the first half of 2017.

Depreciation was $20,000 for the six months ended June 30, 2017 compared to $19,266 for the six months ended June 30, 2016, an increase of $734 or 4%. This increase is predominately related to the office furniture and equipment additions in the respective fiscal years.

Accretion expense for the six months ended June 30, 2017 was $140,818 compared to $Nil in the same period of 2016. The accretion expense represents amortization from of the discount on convertible promissory notes payable and on the convertible debenture which were issued on September 2, 2016. The promissory notes were converted to equity on January 25, 2017 and interest was fully accreted up to the full discount at that date, representing an amount of $65,492. The remaining amount of $75,326 represents accretion on the convertible debenture for the six months ended June 30, 2017.

Foreign exchange loss (gain) for the six months ended June 30, 2017 was a gain of $1,006 compared to a loss of $19,549 for the six months ended June 30, 2016, a change of $20.555. The gain in 2017 relates to an unrealized foreign exchange gain due to higher cash balance denominated in US currency at June 30, 2017. In the same period in 2016, the loss was due to the weakening of the CDN dollar from the beginning of 2016 to June 30, 2016.

Interest expense for the six months ended June 30, 2017 was $41,073 compared to $Nil in the same period in 2016. The interest relates to interest on the new $900,000 demand loan issued in 2017.

Finance expenses for the six months ended June 30, 2017 were $1,013 compared to $1,655 for the six months ended June 30, 2016. A decrease of $642 or 39% relates to lower bank fees and other financing charges incurred.

Income taxes expense was $6,688 for the six months ended June 30, 2017 compared to $11,651 for the six months ended June 30, 2016, a decrease of $4,963 or 43%. The income tax expense relates to the Israel operations for the six months ended June 30.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2017, there was a net cash outflow from operating activities of $923,149 compared to a net cash outflow of $847,782 for the six months ended June 30, 2016, an increase of $75,367:

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

Decrease in net loss for the period	264,838
Increase in depreciation of fixed assets	734
Increase in accretion expense	140,818
Change in other receivables and prepaid expenses	(83,727)
Change in HST receivable	(13,217)
Change in accounts payable and accrued liabilities	(374,598)
Change in Income taxes payable	(10,215)
Increase in the net cash used for operations	(75,367)

As at June 30, 2017 the Company had a working capital deficit of $3,030,638 compared to a working capital deficit of $3,251,405 at December 31, 2016, a deficit decrease of $220,767. This lower working capital deficit is a result of;

1) An increase in cash of $16,851;
2) An increase in HST receivable of $13,902;
3) An increase in other receivables and prepaid expenses of $13,463;
4) A decrease in income taxes payable of $4,805;
5) A decrease of demand notes payable of $500,000;
6) A decrease of convertible promissory notes payable of $578,508, offset by;
7) An increase in in accounts payable and accrued expenses of $6,762;
8) An increase of demand loan payable of $900,000;

During the first half of 2017 the Company converted $1,184,000 in debt with the issuance of 6,725,000 shares of the Company. The debt conversions included $644,000 in promissory notes converted at $0.16 per share resulting in the issuance of 4,025,000 Shares, $500,000 of demand loans at $0.20 per share resulting in the issuance of a further 2,500,000 Shares, and $40,000 owed pursuant to a Right of First Refusal Waiver Agreement resulting in a further issuance of 200,000 Shares. The Company also secured a demand loan agreement providing $900,000 in funding at an annual rate of 12% compounded and payable (interest only) monthly. As at June 30, 2017 the full $900,000 was drawn on the demand loan payable.

Outstanding Share Data

As at June 30, 2017, the number of outstanding shares was 74,583,119 (December 31, 2016 – 67,858,119).

As at August 29, 2017 the number of shares outstanding remained at 74,583,119.

As at June 30, 2017, the Company had 1,120,000 share purchase options outstanding (December 31, 2016 – 2,670,000).

As at August 29, 2017, the number of outstanding share purchase options remained at 1,120,000.

As at June 30, 2017, the Company had 1,885,691 share purchase warrants outstanding (December 31, 2016 – 1,885,691).

As at August 29, 2017 the number of outstanding warrants remained at 1,885,691.

SEGMENTED INFORMATION

The Company had two geographical segments as at and for the six months ended June 30, 2017 and 2016 respectively, comprising head office and general operations of Hemostemix Inc. in Canada and its wholly-owned subsidiary, Hemostemix Ltd. in Israel.

	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Canada	**Israel**	**Total**	Canada	Israel	Total
Current assets	**101,692**	**67,797**	**169,489**	147,588	11,505	159,093
Total assets	**101,692**	**149,635**	**251,327**	147,588	182,592	330,180
Total liabilities	**3,406,695**	**181,418**	**3,588,113**	1,177,875	291,624	1,469,499
Depreciation	**-**	**20,000**	**20,000**	-	19,266	19,266
Total expenses	**718,054**	**333,818**	**1,051,872**	746,945	564,802	1,311,747
Income tax (recovery) expense	**-**	**6,688**	**6,688**	-	11,651	11,651
Net and comprehensive income (loss)	**718,054**	**340,506**	**1,058,560**	746,945	576,453	1,323,398

SUBSEQUENT EVENTS AND NEWS

a) 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. Subsequent to the end of period, the Company finalized a settlement with this party for a settlement amount of $120,000 plus GST, of which $60,000 will be settle by way of the issuance of shares.

b) On July 11, 2017, the Company announced a Rights Offering and update to the proposed private placement and senior secured debt financing originally announced on April 10,2017. The proposed offering is now of subscription receipts for a minimum of $5,000,000 and a maximum of $8,000,000. The details of the Rights Offering, namely that it will be offering rights to holders of its common shares on the basis of one Right for every one and one-half (1.5) common shares held. Each Right will entitle the holder to subscribe for one subscription receipt upon payment of the subscription price of CAD$0.05 per Subscription Receipt. Upon the completion of certain escrow release conditions, the Subscription Receipts will automatically be converted into units consisting of one common share of the Company and one-half of one transferable warrant. Each Warrant entitles the holder thereof to purchase one Common Share at price of CAD$0.20 for a period of 2 years from the Release Date, with an accelerated exercise provision attached to each Warrant commencing on the day following (x) the conversion of the applicable Subscription Receipts into Units and (y) the expiry of any applicable hold period on the underlying Common Share, stating that if, for ten consecutive trading days, the closing price of the listed shares of the Company exceeds CDN $1.00, then the Company may elect to accelerate the expiry date by providing the Warrant holders, 30 days notice by way of a press release of the accelerated expiry date.

There are currently 74,583,119 Common Shares issued and outstanding. If all of the 49,722,119 Rights issued under the Rights Offering are validly exercised by the shareholders, the Rights Offering will raise gross proceeds of approximately CAD$2.48 million.

As described in part above, the Rights Offering is part of a broader financial plan for the Company comprised of: (i) a CAD$4,400,000 secured credit transaction, (ii) the Rights Offering, (iii) a private placement of Subscription Receipts; and (iv) a series of shares for debt transactions with certain of the Company's creditors to issue Common Shares to such creditors in full satisfaction of trade payables and other debts payable. The Financings, are expected to generate proceeds of up to CAD$12,400,000, without accounting for the Agent's Option. If the Agent's Option were to be fully exercised, that would provide for additional gross proceeds of CAD$1,000,000 and the generation of overall proceeds pursuant to the Financings of CAD$13,400,000.

c) On July 25, 2017, the Company received an additional $225,000 in demand note payable bringing the total demand note payable to $1,125,000.

d) On August 15, 2017, the Company announced that the Company has raised gross proceeds of $1,063,751 from its previously announced offering of rights (“Rights”) which expired on August 11, 2017. In addition, the Company announced that that the Company and its agent in the private placement financing have mutually agreed to extend the time for the closing of the private placement offering and the related escrow deadline and termination date described in its July 11, 2017 press release from August 15, 2017 to August 25, 2017.

e) On August 17, 2017, the Company reached an agreement HEMA to definitively resolve all outstanding matters with

HEMA including the litigation against the Company being carried on by HEMA.

As part of the agreement, the Company has agreed to pay HEMA an amount based on expenses incurred based on the strategic alliance formed between the Company and HEMA in 2015, together with a payment of certain legal fees of HEMA incurred in connection with the litigation against the Company.

The payment based on expenses is to be $217,000 and made by way of the issuance of common shares in the capital of the Company. The Company expects to treat the transaction with HEMA as another one of the previously announced series of shares for debt transactions with certain of the Company's creditors in full satisfaction of certain trade payables and other debts payable to be concluded in connection with the Company's previously announced offerings of subscription receipts of the Company comprised of: (i) a private placement; and (ii) concurrent rights offering. The legal fees are to be paid for in cash.

Pursuant to the agreement, subject only to the receipt of the payments, HEMA will release all claims against the Company, HEMA's litigation (which included a USD$50 million loss of income claim) will be discontinued on a without costs basis and the strategic alliance between the Company and HEMA will be terminated.

f) On August 25, 2017, the Company announced that the Company has raised gross proceeds of $5,144,140 from its previously announced brokered private placement of subscription receipts. The Company closed on the Brokered Private Placement together with a related non-brokered private placement of subscription receipts pursuant to which it raised additional gross proceeds of $163,445 and the offering of rights which the Company raised gross proceeds of $1,063,751, for aggregate gross proceeds from the Company from the three sources of $6,371,336. The Company issued an aggregate of 127,426,715 subscription receipts, consisting of 102,882,800 pursuant to the Brokered Private Placement, 3,268,900 pursuant to the Non-Brokered Private Placement and 21,275,015 pursuant to the Rights Offering.

   As previously announced, the Offering is part of a capital raising program consisting of (i) a $4,400,000 secured credit transaction, (ii) the Rights Offering, (iii) the Brokered Private Placement (as now supplemented by the Non-Brokered Private Placement); and (iv) a series of shares for debt transactions (collectively, the "Financings").

   The gross proceeds of the Offering, will be held in escrow on behalf of the subscribers pending the delivery by the Corporation and the Agent, to the Escrow Agent, a joint notice confirming that the release conditions are satisfied prior to the escrow deadline. Assuming that occurs, each Subscription Receipt issued pursuant to the Offering will automatically be converted into 127,426,715 units consisting of 127,426,715 common shares and 63,713,357 transferable warrants. Each Warrant will entitle the holder thereof to purchase one Common Share at price of $0.20 for a period of 2 years from the Release Date, with an accelerated exercise provision attached to each Warrant.

   The Company and the Agent have also mutually agreed to extend the related escrow deadline and termination date described in its July 11, 2017 and August 15, 2017 press releases from August 25, 2017 to September 15, 2017.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 in 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 that expires in September 2017. The minimum lease commitments under this agreement are $39,989.

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. No further action or legal activity has taken place since August 2016.

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, only $60,000 was paid and then a further claim was made after the settlement regarding options. Management further settled the second claim related to options with a cash settlement of $120,000 and has included the payments owing in accounts payable in the amount of $60,000 on December 31, 2016 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 $170,000 which was included in accounts payable at December 31,

2016. During the six months ended June 30, 2017, a balance of $100,000 was paid in full.

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 at June 30, 2017 (December 31, 2016 - $345,539) Subsequent to the end of period, the Company finalized a settlement with this party for a settlement amount of $120,000 plus GST, of which $60,000 will be settle by way of the issuance of shares (See Subsequent Events note).

Consulting Agreement

The Company entered an agreement with Criterium to provide clinical research as described in Note 4. 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 June 30, 2017, 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 had terminated the agreement. As a result, Hemostemix placed a hold on enrollment for its phase 2 clinical trials in Canada and South Africa. As a result, at March 31, 2017, 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.

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 initially sued the Company over the termination of this agreement and is seeking $50,000,000 in damages.

On August 17, 2017, the Company reached an agreement HEMA to definitively resolve all outstanding matters with HEMA including the litigation against the Company being carried on by HEMA (See Subsequent Events Note 15).

As part of the agreement, the Company has agreed to pay HEMA an amount based on expenses incurred based on the strategic alliance formed between the Company and HEMA in 2015, together with a payment of certain legal fees of HEMA incurred in connection with the litigation against the Company.

The payment based on expenses is to be $217,000 and made by way of the issuance of common shares in the capital of the Company. The Company expects to treat the transaction with HEMA as another one of the previously announced series of shares for debt transactions with certain of the Company’s creditors in full satisfaction of certain trade payables and other debts payable to be concluded in connection with the Company’s previously announced offerings of subscription receipts of

the Company comprised of: (i) a private placement; and (ii) concurrent rights offering (the "Offering"). The legal fees are to be paid for in cash.

Pursuant to the agreement, subject only to the receipt of the payments, HEMA will release all claims against the Company, HEMA's litigation (which included a USD$50 million loss of income claim) will be discontinued on a without costs basis and the strategic alliance between the Company and HEMA will be terminated.

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 $352,099 in consulting fees to the CFO of the Company and the management contractor, who is providing a Chief Restructuring Officer, Accountant and technical consultant among other services, during the six-month period ended June 30, 2017 (June 30, 2016 - $198,967 to the CFO and former CEO of the Company). As at June 30, 2016, the Company has $229,841 in accounts payable and accrued liabilities owing to this management company and officer (December 31, 2016 - $194,698).

On January 25, 2017, the Company secured a demand loan agreement providing and initial $750,000 in funding at an annual rate of 12% compounded and payable (interest only) monthly from the company that is the management contractor for Hemostemix. In early 2017, the management contractor assigned the demand loan agreement and sold the related indebtedness of the Company to a company related to the management contractor company of Hemostemix. The Company received an additional $150,000 on June 2, 2017 bringing the total demand loan payable total to $900,000 on June 30, 2017.

In 2016, the Company received proceeds of $1,000,000 from the issuance of a convertible debenture. The debenture was acquired by the company that became the management contractor for Hemostemix on December 22, 2016. In early 2017, the debenture was sold to a company related to the management contractor company of Hemostemix. The debenture is noninterest 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.

Proceeds of $76,000 were received from the exercise of 760,000 share options from 2 former directors of the Company in 2016. Proceeds from directors and shareholders in the form of promissory notes payable issued during the 2016 amounted to $464,000.

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 June 30, 2017, 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.