Hemostemix Inc.

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

For the three and six months ended June 30, 2020 and 2019 as at August 31, 2020

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Hemostemix Inc. (the "Company", "Hemostemix", "we", "us" or "our") for the three and six months ended June 30, 2020 and 2019. It is intended to help readers better understand the operations and key financial results, as they are, in our opinion, at the date of this report and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2020 and 2019 and the accompanying notes which have been prepared under International Financial Reporting Standards ("IFRS"). The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee of the Company and have been approved by its Board of Directors on August 31, 2020. Additional information relating to the Company is available on SEDAR at www.sedar.com as well as the Company's website at www.hemostemix.com.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

- belief that the Company will be successful in raising additional capital to continue as a going concern;
- belief that its products and research and development efforts are targeting diseases and conditions with significant unmet medical treatment needs;
- the Company's goal of creating shareholder value;
- its ability to meet its operating costs for the twelve months ended June 30, 2021;
- belief that the results of ACP-01 research, trials and studies being equivalent to or better than previous research, trials, or studies, as well as management's expectations of positive anticipated results regarding future clinical trials for ACP-01 for other indications;

- the Company's belief that the ACP-01 technology process can be commercialized as effectively or more effectively than other technologies;
- our expectations regarding our ability to arrange for and scale up manufacturing of our products and technologies;
- the plans, costs, and timing for future research and development of the Company's stem cell technologies, including the costs and potential impact of complying with existing and proposed laws and regulations and clinical trials;
- belief that the Company's prior ACP-01 trial data will be sufficient to support regulatory submissions and approvals for additional indications such as congestive heart failure and angina pectoris;
- management's outlook regarding future trends;
- expectations regarding the completion of its current clinical trial for critical limb ischemia ("CLI"), including the patient enrollment numbers, anticipated number of trial sites and timing of interim analysis;
- the level of activity, market acceptance and market trends in the healthcare sector;
- expectations regarding the performance of critical suppliers and service providers, including its clinical research organization ("CRO");
- expectations for additional commercialization partners;
- expectations for our ability to secure commercialization partners to develop our other technologies (NCP-01 and BCP-01);
- expectations with respect to existing and future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by us or to us pursuant to such arrangements;
- expectations regarding the outcome of litigation;
- plans and objectives of management for future operations;
- our strategy with respect to the protection of our intellectual property ;
- anticipated financial performance; and
- general business and economic conditions and outlook.

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company, including information obtained from third-party industry analysts and other third-party sources. In some instances, material assumptions and factors are presented or discussed elsewhere in this MD&A in connection with the statements or disclosure containing the forward-looking information. You are cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to, assumptions that there may be no:

- unforeseen changes in the legislative and operating framework for the business of the Company;
- unstable competitive environment; and
- significant events occurring outside the ordinary course of business such as a natural disaster or other calamity.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors including the risks set out in the section entitled "Risks and Uncertainties" below, which may cause the Company's or its industry's actual results, levels of activity, performance and achievements to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to the following risks:

- the successful and timely completion of research and development initiatives;
- negative results from the Company's clinical trial;
- the ability of the Company to complete its current CLI clinical trial and complete a satisfactory futility analysis and the results of such and future clinical trials;
- negative results of current litigation and potential litigation that the Company may face;
- risks associated with general business, economic, competitive, political, and social uncertainties;
- general capital market conditions and market prices for securities;
- delay or failure to receive board or regulatory approvals;
- risks associated with future developments in the Company's markets and the markets in which it expects to compete;
- lack of qualified, skilled labour or loss of key individuals;
- the viability and marketability of the Company's technologies;
- the effects of government regulation on the Company's business;
- the development of superior technology by the Company's competitors;
- the failure of consumers and the medical community to accept the Company's technology as safe and effective;
- risks associated with the performance of commercial partners and critical suppliers and service providers;
- risks associated with the Company's ability to obtain and protect rights to its intellectual property;
- risks associated with the Company's ability to raise additional capital to support operations;
- reliance on third parties to plan, conduct and monitor our clinical trials;
- risks related to the COVID-19 pandemic including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, service disruptions, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession;
- the potential impact that the COVID-19 pandemic may have on the Company may include a decreased demand for the services it offers and a deterioration of financial markets that could limit the Company's ability to obtain external financing; and
- other factors beyond the Company's control.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity or performance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect

the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of such factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

THE COMPANY

Hemostemix is a biotechnology Company whose principal business is to develop, manufacture and commercialize blood-derived stem cell therapies for medical conditions not adequately addressed by current treatments. Hemostemix, an entity under the Business Corporations Act (Alberta) was formed in November 2014. On November 27, 2014, shares of the Company began trading on the TSX Venture Exchange (the "Exchange") under the symbol "HEM". In October 2018, the Company was approved for listing its common shares for trading on the OTCQB Venture Market, a US trading platform that is operated by the OTC Markets Group in New York. Our shares now trade on the OTC under the symbol "HMTXF". The Company's head office is located at suite 1150, 707-7th Avenue SW, Calgary, AB T2P 3H6.

The unaudited condensed consolidated interim financial statements of the Company comprise the accounts of Hemostemix, Hemostemix Ltd, and Kwalata Trading Limited, the Company's wholly-owned subsidiaries. Kwalata Trading Limited ("Kwalata"), incorporated under the laws of Cyprus, was established to own our intellectual property ("IP"). On October 1, 2018 management structured an arrangement to sell the IP from Kwalata to Hemostemix Inc. and planned the process to wind up Kwalata. However, this transaction was not completed (see "Discontinued Operations"). Hemostemix Ltd., another wholly-owned subsidiary, was incorporated under the laws of Israel to conduct manufacturing and perform research and development. Effective October 1, 2017, Hemostemix Ltd. ceased operations (see "Discontinued Operations").

BUSINESS OVERVIEW

We are a clinical stage biotechnology Company with a patented stem cell technology platform whose principal business is to develop, manufacture and commercialize blood-derived stem cell therapies to treat various diseases not adequately addressed by current therapeutics. The Company's lead product, ACP-01 is the subject of a randomized, placebo-controlled, double blind Phase II clinical trial of its safety and efficacy in patients with advanced CLI who have exhausted all other options to save their limb from amputation. Hemostemix owns 91 patents related to its products and manufacturing processes. The intellectual property of the Company broadly covers synergetic cell populations that can be differentiated into angiogenic cell precursors ("ACPs", including the lead cell product ACP-01), myocardial cell precursors ("MCPs"), neural cell precursors ("NCPs") and bone cell precursors ("BCPs")

CORPORATE, PRODUCT AND CLINICAL TRIAL UPDATE

The following items highlight the Company's activities during the six month periods ended June 30, 2020 and any subsequent development up until the date hereof.

Corporate Update

Management Leadership

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

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

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

On March 19, 2020, the Company announced the election of Mr. Peter Lacey, ICD.D, as Chairman of its Board of Directors. Mr. Lacey is currently the Chairman of Cervus Equipment Corporation (CERV.TO), a company he and his partners started in 1999 and built from five John Deere dealerships into a company that owns 63 dealerships selling six brands in three countries with revenues of $1.1 Billion, paying a quarterly dividend of $0.11 per share. Mr. Lacey has been Chairman of Cervus Equipment since inception, and was President and Chief Executive Officer of Cervus Equipment Corporation and its predecessor entities from 1982 to April 2012. Mr. Lacey is a graduate of the Institute of Corporate Directors Education Program at the University of Toronto.

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

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

On April 9, 2020, the Company announced the appointment of Mr. Loran Swanberg to its Board of Directors and Ms. Christina Wu, CPA, CGA as its interim Chief Financial Officer, and the resignation of Mr. David L. Wood from the Board of Directors. Mr. Swanberg is a successful businessman who increased his ownership of the Company from 0.8% in 2019 to 7.8% in 2020. Mr. Swanberg has been part owner and a director of a private company, Landsman Properties Ltd. ("Landsman") since 2005. Landsman owns and leases out shop and office space in North East British Columbia and Alberta. From 1992 to 2005, Mr. Swanberg was a director of the family owned oilfield transportation company, Swanberg Bros. Trucking Ltd. The company was purchased by Producers Oilfield Services Inc. in 2005. Mr. Swanberg was also director of privately held Swanberg Air Inc. from 2000 to 2012, and was a director of the Northern B.C. Truckers' Association for 10 years, 1992 to 2002. Most recently, Mr. Swanberg was a partner and director of Vieworx Geophoto Inc. from 2012 until Q1 2020.

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

On April 30, 2020, the Company announced the appointment of David H. Tsubouchi, B.A., J.D., LL.D., D.S.Litt., C.Dir. to its Board of Advisors. Mr. Tsubouchi is the first Japanese Canadian to be elected to any provincial legislature in Canada and to be appointed as a Cabinet Minister. He has served as the Minister of Consumer and Commercial Relations, Solicitor General, Chair of Management Board and Minister of Culture. Mr. Tsubouchi sits on the boards of OMERS Pension Fund, Lakefront Utilities and the Ontario Arts Council. He has previously served as the Honourary Consul General of Mongolia. As the former Registrar and CEO of the Ontario College of Trades he oversaw the regulation of the skilled trades in Ontario. He has also served as the Integrity Commissioner for the Town of Richmond Hill. His book, Gambatte was nominated for the Speaker's Book Award and the Heritage Toronto Book Award.

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

Board of Advisors

In 2020, the Company formalized a Board of Advisors ("BoA"). The members of the BoA are all seasoned business leaders with diverse backgrounds and experience with government, legal, business, policy, and

capital markets. The BoA members include: The Honorable Shiela Copps, OC, PC, Mr. Timothy C. Chang, B.A., Summa Cum Laude, and Mr. David H. Tsubouchi, B.A., J.D., LL.D., D.S.Litt., C.Dir.

Scientific Advisory Board

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

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

The members of the SAB are listed below:

Dr. Norman Wong, M.D.

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

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

- Professor of Vascular Surgery at University of British Columbia, and Consultant Surgeon at the Vancouver General Hospital.
- Dr. Hsiang has diverse interests in vascular biology, vascular engineering and clinical epidemiology. He is the past President of the Chinese-Canadian Medical Society and the Western Vascular Society.
- Written or co-written and presented 165 continuing medical education accredited papers to peers at regional, national and international symposia focused on such diverse topics as a pressure-sensing smart stent compatible with angioplasty procedure and its in vivo testing; vascular surgery; advanced venous issues; carotid surgery; and, he presented the Company's blinded results to the 41st annual meeting of the Canadian Society for Vascular Surgery, held September 13-14, 2019.

Dr. Pierre Leimgruber, MD, FACC

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

- Author of 26 peer-reviewed research studies published in leading medical journals.

Dr. Alan Lumsden, M.D.

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

Dr. Kumar L. Hari, PhD

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

Product Update

Angiogenic Cellular Precursor (ACP-01)

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

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

Regulatory Update for ACP-01

In the first quarter of 2019, the Company submitted an application to the US Food and Drug Administration ("FDA") for Orphan Drug Designation ("ODD") for ACP-01 for the treatment of patients with CLI. The Orphan Drug Act provides for granting special status to a drug or biological product to treat a rare disease or condition upon request of a sponsor. The FDA defines rare diseases as those affecting

fewer than 200,000 people in the United States at any given time. Our application sought ODD for the treatment of end-stage CLI patients. The FDA responded to the Company's application stating that based on the information and data they reviewed ACP-01 had the potential to treat all patients suffering from CLI, not just those with end-stage CLI. Based on the potential for to treat such a large patient population, ACP-01 did not qualify for Orphan Drug Status.

Neural Cellular Precursor (NCP-01)

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

Bone Cellular Precursor (BCP-01)

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

Intellectual Property

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

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

The five patent families are:

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

Clinical Trial Updates

License Agreement and lawsuit

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

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

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

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

The Company filed for an injunction before the Court of Queen's Bench, Alberta and was granted a hearing on June 18, 2020.

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

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

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

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

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

Phase II Clinical Trial for Patients with Critical Limb Ischemia

CLI is a severe blockage in the arteries of the lower extremities, which markedly reduces blood-flow. It is a serious form of peripheral arterial disease ("PAD"). PAD is caused by atherosclerosis, the hardening and narrowing of the arteries over time due to the build-up of fatty deposits called plaque. CLI is a chronic condition that results in severe pain in the feet or toes due to nerve and tissue damage. Complications of

poor circulation can include sores and ulcerating wounds that will not heal in the legs and feet. Left untreated, the complications of CLI may result in the amputation of the affected limb.
Most patients with CLI are treated surgically and depending on the severity, the surgery can be minimally invasive (angioplasty or stents) or very invasive (bypass surgery, grafts, or amputation). ACP-01 is an alternative to surgery, which, based on our prior clinical trials, we believe is safer and more cost effective, as no lengthy hospital stay or recovery time is needed. The prevalence of CLI is increasing, as CLI predominately affects the growing baby boomer population aged 50 and older. According to The Sage Group LLC, in the United States alone, approximately 20 million people are affected by PAD, and it is estimated that approximately 7-8 million people in the United States and Europe suffer from CLI. The Sage Group LLC estimates that in the United States, medical costs attributable to CLI amount to US$25 billion annually.

The clinical trial is a randomized, placebo-controlled, double blind Phase II clinical trial to confirm the safety and efficacy of ACP-01. Under the current USA Food and Drug Administration ("FDA") and Health Canada approved protocol approximately 95 patients will be followed for a minimum period of six months and a maximum of twelve months.

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

The following is a summary of the results and conclusion:

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

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

Regulatory Update for ACP-01

Near the 2019 year end, the Company was to conduct a midpoint analysis, potentially stopping the clinical trial when 42 subjects completed at least 26 weeks of follow-up. The Company awaits receipt of its data and an analyses of its data from Aspire and Accudata respectively.

Neural Cellular Precursor (NCP-01).

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

Manufacturing Agreement

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

Financing

Loan Agreement

On August 1, 2019, the Company obtained a loan agreement providing up to $2 million in funding at an annual interest rate of 12%. The loan was secured by a general security agreement over the personal property of the Company. During the six months ended June 30, 2020, these advances were paid in full (six months ended June 30, 2019 - total advances $nil). During the three and six months ended June 30, 2020, the Company incurred $52,196 and $63,538 of interest expense (three and six months ended June 30, 2019 - $nil) which has been recorded as finance expense in the consolidated statements of loss and comprehensive loss.

Convertible debenture

On May 15, 2019, the Company completed the first closing of a $1,000,000 non-brokered private placement of convertible debentures ('the Debentures"), in the principal amount of $525,000. Each Debenture consists of $1,000 aggregate principal amount of secured, nontransferable, convertible, redeemable debentures maturing on December 31, 2019 that beared interest at a rate of 12% per annum.

During the six months ended June 30, 2020, the Company repaid all of the Debentures including principal and interest of $576,863. As at June 30, 2020, there are no outstanding Debentures.

Loan from Director

On March 9, 2020, the Company received advances totaling $1,700,000 with an annual interest rate of 12% from a director of the Company, these amounts are unsecured. The interest balance outstanding on the loan is to be repaid in shares. During the three and six months ended June 30, 2020, the Company incurred $22,670 and $38,320 of interest expense respectively (three and six months ended June 30, 2019 - $nil) which has been recorded as finance expense in the consolidated statements of loss and comprehensive loss. The principal balance outstanding as of June 30, 2020 was repaid after the quarter end.

Stock Options and warrants

In conjunction with the private placement in March 2020, the Company issued 272,370,442 warrants that entitle the holder to acquire an additional common share at $0.05 per share. Each warrant may be exercised at any time and expire 12-months following the Closing Date. The company also granted 11,391,520 agent warrants which entitles the holder to acquire a Unit of one share at $0.01 and one warrant to acquire an additional common share at $0.05 per share. The agent warrants may be exercised at any time and expire 12 months from the Closing Date. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 264%-290%, risk-free interest rates of 0.59%-0.79%, and an average expected life of 12 months.

In conjunction with the private placement in May 2020, the Company issued 156,892,500 warrants that entitle the holder to acquire an additional unit, consisting of one common share and one warrant that may be exercised to acquire a common share at $0.05 per share, which expire 12 months from that Closing Date. The company also granted 4,629,600 agent warrants which entitles the holder to acquire a Unit comprised of one share at $0.01 and one warrant to acquire an additional common share at $0.05 per share. The warrants may be exercised at any time and expire 12 months from the Closing Date. The fair value of the warrants was estimated on the date of grant using the Black Scholes relative fair value approach with the following assumptions: expected dividend yield of 0%, expected volatility of 201%-206%, risk-free interest rates of 0.27%-0.30%, and an average expected life of 12 months.

During the six month period ended June 30, 2020, the former CEO of the Company resigned which resulted in the forfeiture of an aggregate of 14,833,736 stock options at a price of $0.05. During the three month period, five employees resigned, which resulted in the forfeiture of an aggregate of 3,050,000 stock options at a price of $0.10 and the forfeiture of 1,050,000 stock options priced at $0.08. These options were valued using the Black Scholes relative fair value approach.

Capital Raise

On March 5, 2020, the Company announced that it had closed the initial tranche of its previously announced non-brokered private placement of units ("Units") for gross proceeds of up to $3,000,000. The first tranche of the offering consisted of the issuance of an aggregate of 254,620,442 Units at a price of $0.01 per Unit for gross proceeds of $2,546,204. Each Unit consisted of one common share in the capital of the Company and one common share purchase warrant ("Warrant"), with each full warrant entitling the holder to acquire one Common Share at a price of $0.05 per Common Share for a period of 12 months

from the closing of the Offering, subject to the Accelerated Expiry Provision. A total of 31,172,320 of the Units issued concurrently with the closing of the Offering were issued to three directors of the Company on the same terms. In connection with the private placements, the Company paid eligible finders aggregate cash finders fees of approximately $101,315, as well as granted 10,131,520 agent warrants which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.01 per unit.

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

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

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

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

OUTLOOK

The Company continues to strongly believe in the technology based on results from four previous open label clinical trials as well as site reported positive results under the current clinical trial. Extensive research

and development ("R&D") work has been completed that demonstrates the manufacturing process can be optimized and eventually automated for both the autologous and allogenic procedures.

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

CONSOLIDATION AND PRESENTATION

Discontinued Operations

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

On October 1, 2018, management structured to sell the IP from Kwalata to Hemostemix and planned the process to wind up Kwalata. However, this transaction did not close. As at and for the six months ended June 30, 2020, Kwalata's assets remain intact. Kwalata has no liabilities or net income.

Functional and Presentation Currency

The unaudited condensed consolidated interim 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 three and six months ended June 30, 2020 and 2019.

(unaudited)	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
	$	$	$	$
Total assets	609,804	102,314	609,804	102,314
Total liabilities	3,248,212	1,832,537	3,248,212	1,832,537
Net loss and comprehensive loss	(2,025,336)	(1,326,424)	(2,165,538)	(2,896,268)
Basic and diluted loss per share:	(0.003)	(0.004)	(0.003)	(0.010)
Weighted average number of shares outstanding	730,161,552	300,898,610	730,161,552	300,898,610

Total Assets increased period over period as a result of additional cash received from capital raised in an effort to fund the CLI phase II clinical trial, ongoing research and development and general and administrative expenses.

Total Liabilities decreased period over period as a result of repayments of loans payables.

Net loss and comprehensive loss increased to $2,025,336 in the three months ended June 30, 2020, as compared to $1,326,424 in the corresponding period of the prior year as a result of lower stock-based compensation and offset by an increase in professional fees. For the six months ended June 30, 2020, net loss decreased to $2,165,538 compared to $2,896,268 in the same period of the prior year as a result of increased professional fees related to one-time legal fees, and offset by a decrease in research and development costs as well as stock-based compensation recovery.

RESULTS OF OPERATIONS

Comparison of Expenses

	Three months ended June 30, 2020	2019	Increase (Decrease)	Increase (Decrease)
	$	$	$	%
Research and development	603,772	566,013	37,759	7%
Consultant	305,354	363,688	(58,334)	(16)%
Stock-based compensation	4,165	197,311	(193,146)	(98)%
Office rent and office maintenance	109,161	53,897	55,264	103%
Professional fees	1,023,907	78,839	945,068	1199%
Travel	-	46,831	(46,831)	(100)%
Foreign exchange (gain) loss	(74,100)	898	(74,998)	(8352)%
Interest expense	52,465	18,257	34,208	187%
Depreciation and amortization	612	690	(78)	(11)%
Net loss from operations	2,025,336	1,326,424	698,912	53%

	Six months ended June 30,		Increase	Increase
	2020	2019	(Decrease)	(Decrease)
	$	$	$	%
Research and development	635,018	1,196,626	(561,608)	(47)%
Consultant	397,163	700,001	(302,838)	(43)%
Stock-based compensation	(500,229)	631,803	(1,132,032)	(179)%
Office rent and office maintenance	137,511	117,265	20,246	17%
Professional fees	1,474,016	125,486	1,348,530	1075%
Travel	4,977	74,438	(69,461)	(93)%
Foreign exchange (gain) loss	(90,768)	31,745	(122,513)	(386)%
Interest expense	106,626	18,214	88,412	485%
Depreciation and amortization	1,224	690	534	77%
Net loss from operations	2,165,538	2,896,268	(730,730)	(25)%

Analysis of expenses

Research and development ("R&D")

R&D expense is the cost for the third party manufacturing laboratory which produces ACP-01 that is used in the clinical trials and provides continued research and development work in their laboratory. It also includes the costs paid to clinical trial sites to reimburse them for the costs associated with the treatment and follow-up for patients in our study, as well as the fees paid the Contract Research Organization ("CRO") which provides services to conduct the clinical trials. R&D costs for the three and six months ended June 30, 2020 were $603,772 and $635,018, respectively compared to $566,013 and $1,196,626, respectively for the three and six months ended June 30, 2019 representing an increase of $37,759 and decrease of $561,608 respectively. The majority of the decrease is related to the decrease in new patients enrolled from the trial from 2019 to 2020.

Consultant

Consulting fees decreased to $305,354 and in the three months ended June 30, 2020, as compared to $363,688 in the corresponding period of the prior year. For the six months ended June 30, 2020, consulting fees decreased to $397,163 compared to $700,001 in the same period of the prior year. The decrease is primarily due to the termination of the Management Contractor agreement at the end of the 2019 fiscal year and overall lower consulting services in the first half of 2020 in order to preserve financial resources.

Stock-based compensation expense ("SBC")

SBC decreased by $193,146 and $1,132,032 for the three and six months ended June 30, 2020 compared to the corresponding periods of 2019. The decrease is primarily due to the expiry and forfeiture of unvested stock options which occurred during the 2020 fiscal year, as a result of the resignation of various consultants, officers, and directors of the Company. The decrease in stock compensation is also due to a lower annual grant value in 2020 as compared to 2019 and the impact of the change in vesting terms for certain stock options issued in 2019. Stock options are granted to certain officers, directors, employees and consultants, with the number, term and vesting period of the options granted being determined at

the discretion of the Company's board of directors and in conjunction with the terms of the Company's stock option plans, to a maximum of 10% of the outstanding Common Shares.

Office rent and office maintenance expense
For the three months ended June 30, 2020 was $109,161 compared to $53,897 for the three months ended June 30, 2019, representing an increase of $55,264. For the six months ended June 30, 2020, office rent and office maintenance expense increased to $137,511 compared to $117,265 in the same period of the prior year. Office rent and maintenance includes office administration costs including rent, courier, and utilities as well as investor relations, marketing and communications costs. The increase in expenses is primarily due to an increase in marketing expense.

Professional fees

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% change	2020	2019	% change
Patent costs	$13,455	$57,388	(77)%	$13,455	$91,088	(85)%
Accounting & audit fees	$80,305	(210)	(38,340)%	$161,101	$6,767	2,281%
Legal - clinical trial agreements	-	5,750	(100)%	-	$10,750	(100)%
Legal - compliance	$748,428	10,843	6,802%	$1,091,858	$11,812	9,144%
Legal - other	-	5,068	(100)%	$0	$5,069	(100)%
Other Professional Fees	$12,720	-	151%	$19,760	-	(100)%
Investor Relations	$168,999	-	3,235%	$187,842	-	(100)%
Total	$1,023,907	$78,839	1,199%	$1,474,016	$125,486	1,075%

Professional fees increased to $1,023,907 in the three months ended June 30, 2020, as compared to $78,839 in the corresponding period of the prior year, primarily as a result of increased legal costs and accounting fees which were incurred relating to increased financing as well as the Aspire lawsuit.

Professional fees increased to $1,474,016 for the six months ended June 30, 2020, as compared to $125,486 in the corresponding period of the prior year, primarily as a result of increased legal costs and accounting fees which were incurred relating to the Aspire lawsuit.

Travel expenses for the three and six months ended June 30, 2020 were $nil and $4,977 respectively, a decrease of $46,831 and 74,438, respectively when compared to comparative 2019 period. This decrease resulted from less travel related to the clinical trials, investor relations activities and visits to our contract manufacturer.

Depreciation expense for the three and six months ended June 30, 2020, were $612 and $1,224 compared to $690 and 690 in the corresponding periods of the prior year. Balance is comparable to the prior corresponding period.

Interest expense (income), for the three and six months ended June 30, 2020 were $52,465 and $106,626 respectively, compared to $18,257 and $18,214 in the corresponding periods of the prior year. Interest expense in 2020 relates to the interest on the secured loans payable and convertible debenture balance which was issued during 2019, as well as the loan from a Director advanced in this period.

Foreign exchange (gain) loss for the three and six months ended June 30, 2020 were a loss of $74,100 and a gain of $90,768 compared to a loss of $898, and $31,745 in the corresponding prior year period. The quarter over quarter change relates to an unrealized foreign exchange gain due to substantial US currency holdings and the weakening of the Canadian dollar against the US dollar. The gain in the current year relates to an unrealized foreign exchange gain due to higher US Currency holdings and the weakening of the Canadian dollar against the US dollar.

QUARTERLY FINANCIAL INFORMATION

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

	June 30, 2020	**Mar 31, 2020**	**Dec 31, 2019**	**Sept 30, 2019**
Net Loss ($)	(2,025,336)	(140,202)	(611,459)	(1,362,074)
Weighted Average # of Shares	730,161,552	374,622,582	300,898,610	300,898,610
Loss per Share ($)	(0.003)	(0.000)	(0.002)	(0.005)

	June 30, 2019	**Mar 31, 2019**	**Dec 31, 2018**	**Sept 30, 2018**
Net Loss ($)	(1,326,424)	(1,569,844)	(1,738,998)	(1,705,560)
Weighted Average # of Shares	300,898,610	300,898,610	300,801,231	299,025,877
Loss per Share ($)	(0.004)	(0.005)	(0.006)	(0.006)

LIQUIDITY AND CAPITAL RESOURCES

Hemostemix is a development stage Company that to date has had no revenue and negative operating cash flows, which are expected to continue in the foreseeable future. As a development stage Company, we require significant additional investment for research and development, manufacturing, clinical testing and regulatory submissions prior to commercialization. Since inception, we have financed our cash

requirements primarily through issuances of equity and debt securities. Our ability to continue as a going concern is dependent upon obtaining additional investment capital and grant monies.

Based on the foregoing, we will continue to pursue various funding options and opportunities; however, no assurances can be made that we will be successful in raising additional investment capital, to continue as a going concern. If we are not able to raise capital, we will have to reduce our cash requirements by eliminating or deferring spending on research, development and corporate activities.

For the six months ended June 30, 2020, there was a net cash outflow from operating activities of $1,388,757 compared to a net cash outflow of $1,940,536 for the six months ended June 30, 2019, a decrease in outflow of $551,779.

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

Increase in net loss from operations for the period	$730,730
Decrease in stock compensation expense	(1,132,032)
Increase in finance expense	60,912
Decrease in interest expense	8,926
Increase in depreciation and amortization	534
Foreign Exchange	154,540
Change in other receivables and prepaid expenses	(182,897)
Change in HST/GST receivable	(66,725)
Change in accounts payable and accrued liabilities	977,791
Increase in the net cash used for operations	$551,779

As at June 30, 2020, the Company had a working capital deficit of $2,641,635 compared to $4,049,590 at December 31, 2019, resulting in a decrease in working capital deficit of $1,407,955. This lower working capital is a result of:

1) An increase in cash and cash equivalents of $400,842;
2) An increase in HST/GST receivable of $622;
3) An increase in other receivables and prepaid expenses of $105,284;
4) An increase in accounts payable and accrued expenses of $1,148,026;
5) A decrease in convertible debentures of $564,698;
6) A decrease in loan payable of $1,484,534

The main reason for the decrease in working capital deficit is predominately due to the repayment of convertible debentures as well as loans payable.

Outstanding Share Data

As at June 30, 2020, the number of issued and outstanding common shares was 730,161,552 (December 31, 2019 – 300,898,610). As at August 31, 2020, the number of common shares issued and outstanding is 756,811,552.

As at June 30, 2020, the Company had 1,850,000 share purchase options outstanding (December 31, 2019 – 20,783,736). As at August 31, 2020, the number of outstanding share purchase options remained at 1,850,000.

As at June 30, 2020, the Company had 449,218,913 share purchase warrants outstanding (December 31, 2019 – 3,934,851). As at August 31, 2020 the number of outstanding warrants was 449,218,913.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 in the 2019 audited annual consolidated financial statements for a detailed description of our significant accounting policies. We have consistently applied the same accounting policies for all periods presented in these unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020, as those used in our audited consolidated financial statements, except for the adoption of new standards effective as of January 1, 2020.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

New accounting standard adopted

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

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

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

IFRS 3 Definition of a Business (Amendment)

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

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

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

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

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

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

New accounting standard not yet adopted

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

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

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

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

COMMITMENTS & CONTINGENCIES

Commitments

Management contracts

The Company entered into a management contractor agreement with Kingsman Scientific Management Inc. (“KSM”), effective January 1, 2019. KSM is majority owned by Kyle Makofka, the former CEO of the Company. Pursuant to this agreement, KSM was to oversee and manage all aspects of the operations and management of Hemostemix, including the Company’s current clinical trial, as well as assist in identifying additional appointments to the Company’s Board of Directors and management team.

The agreement had a term of one year with an option to renew for an additional one-year period. KSM was compensated based on a fixed fee for key management personnel costs, support services, accounting and office rental at cost plus 15% of the clinical trial operations; as well, KSM was entitled to bonuses should it achieve costs savings for the current Phase II clinical trial for CLI. In addition, KSM was entitled to stock options to acquire common shares in the capital of the Company in an amount equivalent up to five percent (5%) of the Company's total issued and outstanding common shares, subject to availability in the Company's stock option pool.

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

Clinical Trial Costs

The Company was committed to payments totaling approximately $184,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. The timing and dollar amount could vary by month depending on amount of clinical trial activity taking place. On December 5, 2019, the Company notified Aspire the Amended Restated License Agreement was a nullity since Aspire failed to meet the Condition Precedent by the Condition Precedent Satisfaction Date. As the Manufacturing License Agreement expired October 31, 2019, the Company has no contractual payment obligations to Aspire related to Hemostemix' clinical trial.

Contingencies

In the ordinary course of operating, the Company may from time to time be subject to various claims or possible claims. Management believes that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain, and management's view of these matters may change in the future.

Dr. Elmar Burchardt Arbitration

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

Aspire Lawsuit

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

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

On February 28, 2020, the Court issued an order dated February 28, 2020 dismissing JMWI's application for the appointment of a receiver upon the payment of funds to satisfy the secured indebtedness owed to JMWI. Pursuant to the Order, the Company paid into trust with counsel for JMWI, or to such other person as otherwise agreed by the parties, by no later than March 9, 2020, the aggregate amount of $2,233,118 together with additional interest and recoverable costs claimed by JMWI accrued from February 20, 2020 through the date on which such payment into trust was received (the "Secured Amount").

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

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

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

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

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

On June 25, 2020 counsel for Hemostemix presented oral argument to the 9th Circuit Court in and for Orange County, Florida on its motion to dismiss Aspire's lawsuit on grounds that, among other things, Hemostemix's threshold challenge that it is not subject to jurisdiction in Florida. A decision on

Hemostemix's motion is pending. In the meantime, the presiding judge has stayed a hearing on Aspire's Motion for a Speedy Hearing previously set for June 29, 2020 pending a decision on Hemostemix's motion to dismiss.

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

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

RELATED PARTY BALANCES AND TRANSACTIONS

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

During the three and six months ended June 30, 2020, the Company incurred $nil (June 30, 2019 - $382,688 and $788,146, respectively), of research and development expenses to Aspire, a company related to Hemostemix by virtue of its then common management. Both companies, Aspire and Hemostemix, were at the time controlled by the former CEO of Hemostemix.

The following includes all compensation to key management personnel:

The management contractor was reimbursed $nil and $23,651 in travel and office maintenance expense during the three and six months ended June 30, 2020 (June 30, 2019 - $48,480 and $87,611 respectively). Additionally, the management contractor provides office space for the Company and $nil of rental expense was included in lease and office maintenance for the three and six months ended June 30, 2020 (June 30, 2019 - $30,000).

The Company recorded share based compensation expense (recovery) for the three and six months ended June 30, 2020 in the amount of $9,322 and $(500,229), respectively (June 30, 2019 - $180,038 and $593,836 respectively) to the former management contract company and personnel.

As at June 30, 2020, the Company had $1,044,564, accounts payable and accrued liabilities owing to the management company, contract manufacturing company, and Chief Medical Officer (December 31, 2019 $1,055,544). The majority of this balance arose based on expenses paid on behalf of the Company. Some of these expenditures are subject to dispute.

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

FINANCIAL INSTRUMENTS & CAPITAL RISK MANAGEMENT

Our financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. As at June 30, 2020, there are no significant differences between the carrying values of these amounts and their estimated market values.

Financial risk management

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

Credit risk
Credit risk is the risk of financial loss if counterparty to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk on our cash and cash equivalents in the event of non-performance by counterparties, but we do not anticipate such non-performance. Our maximum exposure to credit risk at the end of the period is the carrying value of our cash and cash equivalents.

We mitigate our exposure to credit risk by maintaining our primary operating and investment bank accounts with Schedule I banks in Canada.

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

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

Currency risk
Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of our operations, we are exposed to currency risk from the purchase of goods and services in the United States. In addition, we are exposed to currency risk to the extent cash is held in foreign currencies. The impact of a $0.01 increase in the value of the U.S. dollar against the Canadian dollar would have increased our net loss for the three months ended June 30, 2020 by approximately $3,486 (June 30, 2019 - $11,200).

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

Balances in foreign currencies at June 30, 2020 are as follows:

	US Dollars $
Cash and cash equivalents	(7,119)
Accounts payable and accrued expenses	(1,824,873)
	(1,831,992)

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

As at June 30, 2020, the Company has a working capital deficit of $2,581,714 (December 31, 2019 – $4,049,590). As at June 30, 2020, the Company has an accumulated deficit of $43,639,046 (December 31, 2019 - $41,473,508) and is not yet generating operating cash flows. As such, there is material uncertainty about the ability of the Company to continue as a going concern. In order to continue as a going concern, the Company requires additional capital to fund ongoing operations and intends on continuing to raise additional funds through the issuance of equity and/or debt.

Capital risk management

The Company's objectives when managing capital are:

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

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

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

SUBSEQUENT EVENTS

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

to its May 28, 2020 news release in relation to the timing of the filing of its interim financial statements for the period ended March 31, 2020, the Corporation expected to file such documents on or prior to July 14, 2020.

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

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

DISCLOSURE CONTROLS, PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has established and continues to complement a system of disclosure controls and procedures and internal controls over financial reporting. This system is designed to provide reasonable assurance that material information relating to the issuer and its subsidiaries are available and reported to senior management and permits timely decisions regarding public disclosure. As of December 31, 2019, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings are effective, except as noted below, to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's disclosure controls and procedures are indicative of many small and growing companies. Consequently, management has identified certain weaknesses that currently exist in the disclosure controls and procedures including, but not limited to, the segregation of duties and expertise in specific areas of public disclosure. The existence of these weaknesses is partially compensated for by senior management monitoring these issues, and in the case of complex or extraordinary transactions, consulting with external experts to advise management in their analysis and conclusions.

Throughout the year management continued to address, as required, steps to improve disclosure controls and procedures and internal controls over financial reporting. However, no specific changes to disclosure controls and procedures were made during the period. The Company recognizes this is an ongoing and dynamic process and continues to focus on internal controls related to financial reporting and disclosure controls and procedures and is committed to further improvements in the future.

RISKS AND UNCERTAINTIES

Lack of Product Revenues and History of Losses

To date, Hemostemix has not recorded any revenues from the sale of biopharmaceutical products or earning any licensing revenues, and, as a result, it faces a high risk of business failure. Hemostemix expects to incur additional losses during the periods of research and development, clinical testing, and application for regulatory approval of its product candidates. Hemostemix expects to incur losses unless and until such time as payments from corporate collaborations, product sales and/or royalty or license payments generate sufficient revenues to fund its continuing operations.

Ability to Continue as a Going Concern

The Company's auditors' opinion on its December 31, 2019 financial statements includes an explanatory paragraph in respect of there being substantial doubt about its ability to continue as a going concern.

Biotech Public Market Risks

Prospects for companies in the biotechnology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology companies should be regarded as speculative. Biotechnology research and development involves a significant degree of risk. An investor should carefully consider the risks and uncertainties described below. The risks and uncertainties described below are not an exhaustive list. Additional risks and uncertainties not presently known to Hemostemix or that Hemostemix believes to be immaterial may also adversely affect Hemostemix's business. If any one or more of the following risks occur, Hemostemix business, financial condition and results of operations could be seriously harmed. Further, if Hemostemix fails to meet the expectations of the public market in any given period, the market price of Hemostemix shares could decline.

Early Stage Development and Scientific Uncertainty

Hemostemix's products are at an early stage of development. Significant additional investment in research and development, product validation, manufacturing, production scale-up, manufacturing, clinical testing, and regulatory submissions of such product candidates is required prior to commercialization. There can be no assurance that any such products will actually be developed. The development and regulatory processes may require access to raw materials and inputs which may not be available to Hemostemix in sufficient amounts or in a timely fashion to allow Hemostemix to complete the development or receive regulatory approval of any product or process. A commitment of substantial time and resources is required to conduct research and clinical trials if Hemostemix is to complete the development of any product. It is not known whether any of these product or process candidates will meet applicable health regulatory standards and obtain required regulatory approvals, or whether such products can be produced in commercial quantities at reasonable costs and be successfully marketed, or if Hemostemix 's investment in any such products will be recovered through sales or royalties. The Company's technology will require significant research and development and preclinical and clinical testing prior to regulatory approval, if required, being obtained in the United States or other countries. The Company may not be able to obtain regulatory approvals, if required, to complete necessary clinical trials for its cell technology, or to commercialize it. The Company's technology may prove to have undesirable and unintended side effects, or other characteristics adversely affecting its safety, efficacy or

cost-effectiveness could prevent or limit its use. The Company's technology may fail to provide its intended benefit or achieve benefits equal to or better than its competitor's products at the time of testing or production and, if so, its business may fail.

Clinical Trial Risks

The Company's clinical trials may fail to produce successful results or could be suspended due to unacceptable safety risks, which could cause its business to fail. Clinical trials are subject to extensive regulatory requirements, and are very expensive, time-consuming and difficult to design and implement, in part because they may be subject to rigorous regulatory requirements. The Company's products may fail to achieve necessary safety and efficacy endpoints during clinical trials. The Company believes that its clinical trials will take a substantial period of time to complete. Furthermore, failure can occur at any stage of the trials, and the Company could encounter problems that cause us to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including: unforeseen safety issues; lack of effectiveness during clinical trials; slower than expected rates of patient recruitment; and inability to monitor patients adequately during or after treatment. In addition, the Company or regulatory officials may suspend the Company's clinical trials at any time if it appears that the Company is exposing participants to unacceptable health risks. If the Company's clinical trials fail to produce successful results, or are suspended due to unacceptable safety risks, the Company's business may fail.

Additional Financing Requirements and Access to Capital

Hemostemix will require substantial additional funds for further research and development, planned clinical testing, regulatory approvals, establishment of manufacturing capabilities and, if necessary, the marketing and sale of its products. Hemostemix may attempt to raise additional funds for these purposes through public or private equity or debt financing, collaborations with other biopharmaceutical companies and/or from other sources. There can be no assurance that additional funding or partnership will be available on terms acceptable to Hemostemix and which would foster successful commercialization of Hemostemix products.

Government Regulations

Biotechnology and pharmaceutical companies operate in a high-risk regulatory environment. The manufacture and sale of human diagnostic and therapeutic products is governed by numerous statutes and regulations in the United States, Canada, and other countries where Hemostemix intends to market its products. The subject matter of such legislation includes approval of manufacturing facilities, controlled research and testing procedures, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities, notably advertising and labelling.

The process of completing clinical testing and obtaining required approvals is likely to take several years and require the expenditure of substantial resources. Furthermore, there can be no assurance that the regulators will not require modification to any submissions which may result in delays or failure to obtain regulatory approvals. Any delay or failure to obtain regulatory approvals could adversely affect the ability of Hemostemix to utilize its technology, thereby adversely affecting operations. Further, there can be no assurance that Hemostemix's diagnostic product candidates will achieve levels of sensitivity and specificity sufficient for regulatory approval or market acceptance, or that its therapeutic product

candidates prove to be safe and effective in clinical trials or receive the requisite regulatory approval. There is no assurance that Hemostemix will be able to timely and profitably produce its products while complying with all the applicable regulatory requirements. Foreign markets, other than the United States and Canada, generally impose similar restrictions.

Hazardous Materials and Environmental Matters

Certain of Hemostemix's research and development processes may involve the controlled use of hazardous materials. Hemostemix is subject to federal, provincial, and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although management of Hemostemix believes that its procedures for handling and disposing of such materials comply with the standards prescribed, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, Hemostemix could be held liable for damages and such liability could exceed the resources of Hemostemix. Hemostemix is not specifically insured with respect to this liability. Although management of Hemostemix believes that it currently complies in all material respects with applicable environmental laws and regulations, Hemostemix may be required to incur significant costs to comply with environmental laws and regulations in the future. Furthermore, there can be no assurance that the operations, business, or assets of Hemostemix will not be materially adversely affected by current or future environmental laws or regulations.

Patents and Proprietary Technology

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

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

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

Dependence on Collaborative Partners, Licensors and Others

Hemostemix activities will require it to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing, and commercialization of its products. Hemostemix intends to attract corporate partners and enter into additional research collaborations. There can be no assurance, however, that Hemostemix will be able to establish such additional collaborations on favorable terms, if at all, or that its current or future collaborations will be successful. Failure to attract commercial partners for its products may result in Hemostemix incurring substantial clinical testing, manufacturing, and commercialization costs prior to realizing any revenue from product sales or result in delays or program discontinuance if funds are not available in sufficient quantities. If any collaborative partner fails to develop, manufacture, or commercialize successfully any product to which it has rights, or any partner's product to which Hemostemix will have rights, Hemostemix's business may be adversely affected. Failure of a collaborative partner to continue to participate in any particular program could delay or halt the development or commercialization of products generated from such program. In addition, there can be no assurance that the collaborative partners will not pursue other technologies or develop alternative products either alone or in collaboration with others, including Hemostemix's competitors, as a means for developing treatments for the diseases targeted by Hemostemix programs.

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

Rapid Technological Change

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

Competition

Technological competition from pharmaceutical companies, biopharmaceutical companies and universities are intense and is expected to increase. Potential competitors of Hemostemix have or may develop product development capabilities or financial, scientific, marketing, and human resources exceeding those of Hemostemix. Competitors may develop products before Hemostemix develops its own

products, obtain regulatory approval for such products more rapidly than Hemostemix, or develop products which are more effective than those which Hemostemix intends to develop. Research and development by others may render Hemostemix's proposed technology or products obsolete or non-competitive or produce treatments or cures superior to any therapy developed or to be developed by Hemostemix, or otherwise preferred to any therapy developed by Hemostemix.

Status of Healthcare Reimbursement

Hemostemix 's ability to successfully market certain diagnostic or therapeutic products may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Significant uncertainty exists as to whether newly approved healthcare products will qualify for reimbursement. Furthermore, challenges to the price of medical products and services are becoming more frequent. There can be no assurance that adequate third-party coverage will be available to establish price levels, which would allow Hemostemix to realize an acceptable return on its investment in product development.

Acceptance of Technology

The Company's success depends on the acceptance of its stem cell technology by the medical community and consumers as a safe and effective solution. The success of its technology will depend on its acceptance by potential consumers and the medical community. Because its technology is new in the treatment of CLI, the long term effects of using its new technology are unknown. The results of short- term clinical trials do not necessarily predict long-term clinical benefit or reveal adverse effects. If results obtained from future commercial experience indicate that its technology is not as safe or effective as other treatments, adoption of this technology by consumers and the medical community may suffer and its business will be harmed.

Potential Product Liability

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

Manufacturing

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

Reliance on Key Personnel

Hemostemix is dependent on certain members of its management and scientific staff as well as consultants and contractors, the loss of services of one or more of whom could adversely affect Hemostemix. In addition, Hemostemix's ability to manage growth effectively will require it to continue to

implement and improve its management systems and to recruit and train new employees. There can be no assurance that Hemostemix will be able to successfully attract and retain skilled and experienced personnel.

Lack of Product Revenues and History of Losses

To date, Hemostemix has not recorded any revenues from the sale of biopharmaceutical products. Hemostemix expects to incur additional losses during the periods of research and development, clinical testing, and application for regulatory approval of its product candidates. Hemostemix expects to incur losses unless and until such time as payments from corporate collaborations, product sales and/or royalty or license payments generate sufficient revenues to fund its continuing operations.

Volatility of Share Price, Absence of Dividends and Fluctuation of Operating Results

Market prices for the securities of biotechnology companies, including Hemostemix, have historically been highly volatile. Factors such as fluctuation of Hemostemix operating results, announcements of technological innovations, patents or new commercial products by Hemostemix or competitors, results of clinical testing, regulatory actions, or public concern over the safety of biopharmaceutical products and other factors could have a significant effect on the share price or trading volumes for the common shares. Hemostemix's shares, may be subject to significant price and volume fluctuations and may continue to be subject to significant price and volume fluctuations in the future. Hemostemix has not paid dividends to date and does not expect to pay dividends in the foreseeable future.

Conflict of Interest

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

No Key Management Insurance

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

No Anticipated Dividends

The Company does not intend to pay dividends on any investment in the shares of stock of the Company. The Company has never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. To the extent that the Company requires additional funding currently not provided for in its financing plan, its funding sources may prohibit the payment of a dividend. Because the Company does not intend to declare dividends, any gain on an investment in the Company will need to come through an increase in the stock's price. This may never happen, and investors may lose all of their investment in the Company.

COVID-19

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

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

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

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

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

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