## Hemostemix Inc. (formerly TheraVitae Inc.)

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

**FOR THE 9 month Periods September 30, 2014 and 2013 as at November 26, 2014**

### Introduction

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Hemostemix Inc. (the "Company" or "HEMOSTEMIX") for the 9 month periods ended September 30, 2014 and September 30, 2013, and is intended to help readers better understand operations and key financial results, as they are, in our opinion, at the date of this report. The MD&A has been prepared in accordance with National Instrument 51-102F1, Continuous Disclosure Obligations – Management's Discussion & Analysis, and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the 9 month periods ended September 30, 2014 and September 30, 2013 and the accompanying notes. Those unaudited interim condensed consolidated financial statements have been reviewed and approved by its Board of Directors.

The financial statements for the 9 month periods ended September 30, 2014 and 2013 have been prepared under International Financial Reporting Standards ("IFRS").

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

### Consolidation and Presentation

On November 24, 2014, Technical Ventures RX Corp. ("Technical") closed its qualifying transaction with TheraVitae Inc. ("TheraVitae") by way of plan of arrangement (the "Arrangement") pursuant to which the parties amalgamated to form a new entity under the *Business Corporations Act (*Alberta*)* called Hemostemix Inc. ("Hemostemix" or the "Company") (see Subsequent Events and News.)

The consolidated financial statements of the Company comprise the accounts of Hemostemix Inc., (formerly TheraVitae Inc.), Hemostemix Ltd, and Kwalata Trading, the Company's wholly-owned subsidiaries. TheraVitae was incorporated on May 6, 2006 under the provisions of the Canadian Business Corporations Act in Canada with its current head office located at 475 Glengarry Avenue, Toronto, Ontario M5M 1E9. Hemostemix Ltd. was incorporated on June 20, 2011 in Israel and Kwalata Limited ("Kwalata") was incorporated on November 1, 2007 in Cyprus. The Company presents its consolidated financial statements in Canadian dollars, which is the Company's functional currency, and includes the accounts of Kwalata, translated from US Dollars into Canadian dollars, as well as Hemostemix Ltd. accounts translated from New Israeli Shekels ("NIS") to Canadian dollars. Unless otherwise noted, all financial information in this MD&A is presented in Canadian dollars.

**SELECTED FINANCIAL INFORMATION FOR THE PERIOD**

The following table provides selected consolidated financial information for the Company as at September 30, 2014 and for the year end December 31, 2013 and for the 9 month periods ended September 30, 2014 & 2013.

| | **As at September 30, 2014 Total $** | **As at December 2013 Total $** |
|---|---|---|
| **Current assets** | **1,452,033** | 621,678 |
| **Total assets** | **1,670,410** | 816,848 |
| **Total liabilities** | **287,405** | 242,983 |
| | | |
| | **9 month period ended September 2014 Total $** | **9 month period ended September 2013 Total $** |
| **Total expenses** | **2,200,362** | 1,234,805 |
| **Net and comprehensive loss** | **(2,216,167)** | (1,238,314) |
| **Basic and diluted loss per share** | **(0.004)** | (0.003) |

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

The following MD&A of the results of operations and financial condition of the Company are based on and derived from and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes to the financial statements for the 9 month periods ended September 30, 2014 and 2013.

**Caution regarding forward-looking statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's goal of creating shareholder value; its ability to meet its operating costs for the fiscal year ended December 31, 2014; the plans, costs, and timing for future research and development of the Company's stem cell technologies, including the costs and potential impact of complying with existing and proposed laws and regulations and clinical trials; management's outlook regarding future trends; sensitivity analysis on financial instruments that may vary from amounts disclosed; prices and price volatility the Company's products; and general business and economic conditions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Company's stage of development, long-term capital requirements and future ability to fund operations, future developments in the Company's markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Company's operations. Each factor should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. See "Risk Factors."

The Company disclaims any intention or obligation to update or revise these forward-looking statements, resulting from new information, future events or otherwise.

**History**

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

Hemostemix conducts operations through its wholly owned subsidiary, Hemostemix Ltd., in Israel, which is primarily its R&D and manufacturing site.

Hemostemix Ltd. develops cell therapy products from the patient's own blood, a relatively low-risk, cost-effective and non-invasive source of therapeutic cells.

Hemostemix and Hemostemix Ltd. have conducted corporate and operational activities over the past three years as follows:

a) completion of financings sufficient to support research and development, prepare the launch of the phase 2 clinical trial for critical limb ischemia (CLI), and the pursuit of additional patents;

b) incorporation of Hemostemix, including the establishment of a GMP-compliant manufacturing facility;

c) continuing to file, maintain, and pursue, its patent portfolio, which lead to the granting of 50 patents in various jurisdictions during this period; and

d) execution of Arrangement Agreement and completion of a going public transaction.

While Hemostemix's corporate base is situated in Toronto, Ontario, the Company also has a fully equipped 2,200 square foot research and manufacturing facility in Ness Ziona, Israel. This facility can supply product for clinical trials while Hemostemix evaluates its manufacturing options as demand for product increases. The facility also provides important product development support for submissions to regulatory agencies and develops new technologies to enrich the Hemostemix pipeline. The facility is equipped with a clean room and equipment necessary to conduct the proprietary process of manufacturing outlined in its intellectual property and both disclosed to and cleared by Health Canada for the purposes of providing the product for Hemostemix 's phase 2 clinical trial.

Hemostemix continues to explore the viability of outsourcing the manufacture of its clinical product in certain circumstances. The Company is also looking to establish manufacturing capabilities in North America. Hemostemix has five families of patents related to its product and manufacturing process.

Hemostemix, through its wholly owned subsidiary, Kwalata, has a non-exclusive license agreement with AIM, a Tampa, Florida based company for the treatment of patients in Bahamas, Panama, and the United States. AIM has treated four patients since securing this license in November 2009. Hemostemix is in active discussions with AIM regarding their operation and license.

**Hemostemix Mission Statement**

HEMOSTEMIX is a clinical-stage Canadian company developing and commercializing innovative, autologous, blood-derived cell therapies primarily for the treatment of medical conditions including critical limb ischemia ("CLI"), chronic wounds and heart disease, conditions not adequately addressed by current treatments. In February 2013, Hemostemix received a *'No Objection Letter'* from Health Canada allowing Hemostemix to proceed with a phase 2 clinical trial for CLI.

**Outlook and Growth Strategy**

The primary product in development, which will consume most of the HEMOSTEMIX's initial focus and development resources, is its lead product, ACP-01, for treatment of critical limb ischemia ("CLI"). ACP-01 is ready for a phase 2 clinical trial in Canada, which is expected to launch in the third quarter of 2014 and be completed within 18-24 months after the treatment of the first patient.

Hemostemix has now retained a clinical research organization ("CRO") to manage most aspects of the phase 2 clinical trial of ACP-01 for CLI. Hemostemix will initiate the trial using product manufactured in its own facility and personnel in Israel. Hemostemix is also actively exploring manufacturing alternatives (by using its own resources or outsourced to a contract manufacturer) in North America.

To achieve commercial production of its lead product, ACP-01 for CLI, Hemostemix is required to obtain regulatory approval in each respective country it intends to market ACP-01. Management of Hemostemix believes it may be possible to achieve this in a few jurisdictions on the strength of positive phase 2 data in Canada but in most jurisdictions another clinical trial will be required to obtain such approval.

Hemostemix does not currently distribute any commercial products or provide any commercial services in any markets.

Hemostemix has one licensee, AIM, based in Florida, USA, which markets the treatment it has licensed from Hemostemix to treat patients in the Bahamas under Bahamian government supervision and its clearance to treat these patients within a clinical trial. AIM has sold four such treatments since it obtained the license in November 2009.

Hemostemix does not generate commercial revenue at this time. Given that its licensee, AIM, is producing limited revenue from its treatments, Hemostemix has agreed to suspend its contractual royalty (18%) and other milestone payments until further notice.

**Marketplace overview**

Hemostemix does not currently sell any products or services. When approved, Hemostemix intends to sell its products into the healthcare markets for the treatment of specific conditions or diseases. This will be done directly and/or through licensees or partners. Hemostemix intends to distribute its product globally where it, or its partners, licensees, or distributors, obtain regulatory clearance to do so. Hemostemix is pursuing partnerships, licenses, and non-dilutive financing as appropriate to advance the development and commercialization of ACP-01 and other products in its pipeline. In addition to focusing on its phase 2 trials, Hemostemix is engaged in identifying partners for commercialization of its lead product in countries having a regulatory framework which may permit ACP-01 being brought to market in a shorter term.

Hemostemix operates within the emerging industry of regenerative medicine. If Hemostemix products are launched commercially, market acceptance is anticipated to be a function largely of how much better Hemostemix products are than other treatment alternatives, cost, and ease of use. In the case of Hemostemix's lead product, the market is physicians and their patients and their acceptance will be determined by how much better the product addresses ischemic-related conditions, factoring in cost and adverse effects, compared to competitive products.

The human clinical testing and commercial distribution of Hemostemix's products are strictly regulated by each national regulatory authority with some harmonization of regulatory controls both within the European Union and between the European Union and the United States.

**Marketing Plans and Strategies**

As noted above, Hemostemix, through its wholly-owned subsidiary, Kwalata, has one licensee, AIM, which markets the treatment it has licensed from Hemostemix to treat patients in a clinical trial in the Bahamas under Bahamian government supervision. To date, AIM has sold four such treatments since it obtained the license in November 2009. When approved or allowed to do so, Hemostemix intends to sell its products into the large healthcare markets for the treatment of specific conditions. This will be done directly and/or through licensees or partners. Hemostemix intends to distribute its product globally where it, or its partners, licensees, or distributors, obtain regulatory clearance to do so. The sale of its products, direct or through other parties, is not part of Hemostemix current business objectives for the purposes of this filing.

**Competition**

There is currently no approved same-class competition for Hemostemix lead product, ACP-01. Medical alternatives are primarily focused around surgical intervention, including bypass surgery, stent surgery, and angioplasty. In approximately

25% of the patients, none of the above noted alternatives mentioned are effective and the only option left for those patients is amputation of the diseased limb.

A number of companies are pursuing the development of and clinical testing of cell based and other regenerative medicine products which could be considered same-class competitors.

**Events and Milestones during this fiscal quarter**

1. First patient in the Phase 2 clinical trial was enrolled and treated at Vancouver General Hospital. One additional patient was screened and expected to be treated soon.
2. Submission of regulatory documents to the Medicine Control Council (MCC) in South Africa was completed. The MCC is the regulatory body that approves clinical trials in South Africa. The decision is expected in Q4 2014.
3. Receipt of comments from and response to the Research Ethics Board (REB) at Toronto General Hospital. Approval of the clinical trial protocol and Informed consent form are expected in the months ahead.
4. Four large hospitals have agreed to participate in the clinical trial in South Africa. Pending approval of the MCC, the hospitals are expected to start enrolling patients in late 2014 and the beginning of 2015.
5. Closed agreement with World Courier to ship the blood and the cells to and from the clinical sites.
6. The Company presented its technology at the World Stem Cell Congress in Boston.
7. The Company presented its technology at the IBC Cell Therapy Bioprocessing Conference in Arlington, US.

**News during the period**

1. **The Company and Technical Ventures RX Corp. entered a definitive plan of arrangement agreement dated July 19, 2013.**

The Arrangement is intended to constitute the Qualifying Transaction ("QT") of Technical in accordance with Policy 2.4 of the TSX Venture Exchange (the "Exchange"), subject to the Exchange's approval.

Pursuant to the Arrangement, the Company and Technical will amalgamate to create a new company ("Amalco") under the name "Hemostemix" or such other name as may be determined. Pursuant to the Arrangement, the Amalco securities to be issued pursuant to the Arrangement shall be exchanged for Technical and the Company's securities as follows:

- Each outstanding Technical common share shall be exchanged for 0.20 of an Amalco share;
- Each outstanding Technical stock option shall be exchanged for 0.20 of an Amalco stock option;
- Each outstanding common share of the Company shall be exchanged for 0.10 of an Amalco share;
- Each outstanding stock option of the Company shall be exchanged for 0.10 of an Amalco stock option; and
- Each outstanding warrant of the Company shall be exchanged for 0.10 of an Amalco warrant.

2. **February 24, 2014 - The Company entered into investment agreements.**

The Company issued (1) 800,000 Ordinary shares at a price per share of $0.05, for an aggregate amount of $40,000; (2) 64,000 ordinary shares as finder's fee at a price per share of $0.05; and (3) granted 64,000 warrants, outstanding and exercisable at $0.05 and expiring 60 months from completion of the reverse takeover ("RTO") Transaction.

3. **April 22, 2014 - Hemostemix Announces its Second US Patent, A Manufacturing Patent Covering the Manufacture of Endothelial Cells from Peripheral Blood**

The Company announced the issuance of a patent from the United States Patent and Trademark Office (U.S. Patent No. 8,685,724) entitled "In vitro techniques for use with stem cells".

The patent pertains to the manufacture of the company's therapeutic cell product from peripheral blood. The company's lead product, manufactured using the methodologies disclosed in the patent, consists of a heterogeneous mixture of cells, derived from peripheral blood collected by a simple blood draw.

The cells manufactured in accordance with the methodologies described in this newly issued patent meet specific product release criteria and constitute the foundation of the Company's angiogenic (blood vessel growing) technology. The product developed on the basis of this technological platform will be used in a Phase 2 clinical trial for critical limb ischemia. The trial protocol was recently cleared by Health Canada and the trial is expected to commence mid-year.

This patent, the second issued by the USPTO, is part of a broad technology platform now protected by over 40 patents issued in major markets, such as the US, EU, Japan and China. The company continues to aggressively file and prosecute patents around all aspects of its technology as an important foundation for its global commercialization plans.

4. **May 5, 2014 - Hemostemix Joins Centre for Commercialization of Regenerative Medicine, Industry Consortium to Partner on Development of Cell Therapies for Cardiovascular Disease**

Hemostemix Ltd., a wholly owned subsidiary of Hemostemix and a clinical-stage Canadian-Israeli company that develops and commercializes innovative blood-derived therapies for severe medical conditions, is the newest member of the Centre for Commercialization of Regenerative Medicine's (CCRM) industry consortium. CCRM will provide critical support to Hemostemix through a phase 2 clinical trial in Canada, and potentially internationally, for patients with critical limb ischemia.

Critical limb ischemia (CLI) is a severe blockage in the arteries of the lower extremities, which markedly reduces blood-flow. It is a chronic condition that results in severe pain in the feet, even while resting and despite maximal pain-relieving therapy. Complications of poor circulation can include sores and wounds that won't heal in the legs and feet. Left untreated, the complications of CLI may result in amputation of the affected limb and death. The incidence of CLI increases with age, smoking, and co-morbidities such as diabetes or cardiac disease. It is estimated to currently afflict approximately three million people in the United States alone.

CLI is an unmet medical need and approximately 50% of patients diagnosed will either die or require amputation of the affected limb within one year of diagnosis, according to the American College of Cardiology and the American Heart Association.

5. **June 6, 2014 - HEMOSTEMIX Closes Private Placements Totaling over $4M, Setting the Stage to Commence Its Clinical Trial and Complete Its Going Public Transaction with Technical Ventures**

The Company announced that it recently closed another tranche of its non-brokered private placement, which, when combined with the multiple closings of several brokered and non-brokered private placements since July 2013, has resulted in

an aggregate issuance of 80,413,920 common shares at $0.05 (on a pre-Transaction basis) per common share for gross proceeds of $4,020,696 (of which $2,532,750 was raised in 2014).

In connection with the Private Placements, Hemostemix has paid various agents and finders an aggregate of $288,655 in cash and issued 5,917,314 warrants entitling the holders to acquire 5,917,314 common shares at $0.05 (on a pre-Transaction basis or $0.50 per common share on a post-Transaction basis) within 60 months of closing its previously announced going public transaction with Technical Venture RX Corp. ("Technical Ventures").

Hemostemix also announced it executed an amendment to the original Plan of Arrangement Agreement dated July 19, 2013 and amended on October 31, 2013, and March 14, 2014 whereby the outside completion date for the Transaction has been extended to August 31, 2014. The Agreement was also amended to reduce the concurrent financing to be completed by Technical Ventures from $4,000,000, which was a condition precedent in the original Agreement in favour of Hemostemix, to a minimum of $1,000,000. The financing was reduced as a result of Hemostemix's Private Placements being oversubscribed.

Hemostemix also announces that it has executed a joint Engagement Letter with Technical Ventures and Wolverton Securities Ltd. in connection with Technical Ventures' proposed equity offering. Under the Offering, Technical Ventures will offer, on a best efforts basis, for sale a minimum of 10,000,000 common shares and a maximum of 20,000,000 common shares at a price of $0.10 per common share, or $0.50 after giving effect to the share exchange ratio under the Agreement, for minimum gross proceeds of $1,000,000 and maximum gross proceeds of $2,000,000. Refer to Technical Ventures' Sedar profile at http://www.sedar.com for additional details of the Transaction and the Offering.

The proceeds from the Private Placements and the Offering will be used to fund the operations and clinical trial of its operating subsidiary, Hemostemix Ltd. Hemostemix Ltd., based in Israel, and Kwalata Trading Ltd, based in Cyprus, are wholly-owned subsidiaries of Hemostemix Kwalata holds the intellectual property on behalf of the Hemostemix.

Under the guidance of the company's clinical trial steering committee, preparations are well underway at three Canadian hospitals to be the initial sites to launch the company's clinical trial for the treatment of critical limb ischemia in Canada.

6. **June 25, 2014 - Hemostemix Advances Clinical Trial Preparation preparing to treat patients in its Phase 2 clinical trial for critical limb ischemia and commences collaboration with its CRO, Criterium, Inc.**

Hemostemix Ltd., a wholly owned subsidiary of Hemostemix, and a clinical-stage Canadian-Israeli company developing innovative blood-derived cell therapies for severe medical conditions, announced today the kick-off of a services collaboration with Criterium Inc. as its clinical research organization (CRO) for the company's phase 2 clinical trial in critical limb ischemia.

7. **On August 28, 2014 - The Company granted 10,200,000 stock options to certain directors and officers. The options may be exercised at a price of $0.01 per share for a term of 5 years from the date of grant.**

8. **September 4, 2014 - Technical Ventures Receives TSXV Conditional Acceptance for its Qualifying Transaction**

Ventures RX Corp. ("Technical") (TSX-V: "TIK.P") announced that it received conditional acceptance from the TSX Venture Exchange for its Qualifying Transaction with TheraVitae Inc. ("TVI"), as previously announced. Technical also announces it

executed an amendment to the Arrangement Agreement to extend the outside closing date of the Qualifying Transaction to October 31, 2014.

**Amended Offering**

a) The terms of Technical's previously announced brokered financing, have been amended to increase the minimum offering to $1,310,000.

b) Wolverton Securities Ltd. will assist Technical on a commercially reasonable efforts basis, to find subscribers for a minimum of 13,100,000 common shares and up to a maximum of 20,000,000 common shares of Technical at a price of $0.10 per common share (minimum of 2,620,000 common shares and a maximum of up to 4,000,000 common shares at an issue price of $0.50 per common share after giving effect to the consolidation taking place under the Arrangement) for minimum gross proceeds of $1,310,000 and maximum gross proceeds of $2,000,000.

**9. September 11, 2014 - Technical Ventures Announces TSX Venture Exchange Conditional Acceptance of Short Form Offering Document**

Technical Ventures RX Corp. ("Technical") (TSX VENTURE:TIK.P) announced it has entered into an agency agreement with Wolverton Securities Ltd. in connection with a previously announced financing to be completed by way of Short Form Offering Document in accordance with TSX Venture Exchange policies. Under the Short Form Offering, the Corporation will offer for sale a minimum of 13,100,000 Common Shares and a maximum of 20,000,000 Common Shares for aggregate gross proceeds of a minimum of $1,310,000 and a maximum of $2,000,000.

The closing of the Short Form Offering is conditional on the immediate completion thereafter of the Corporation's previously announced plan of arrangement with TheraVitae Inc. which will serve as the Corporation's qualifying transaction.

**10. On September 24, 2014 - Technical Ventures Increases Financing and Reschedules Special Shareholders Meeting**

Technical Ventures RX Corp. (TSX-V: "TIK.P") announced that it has rescheduled its special shareholders' meeting originally scheduled for September 26, 2014 to approve its Qualifying Transaction with TheraVitae Inc., as previously announced, to November 5, 2014. The Meeting was rescheduled as a result of a decision by Technical to raise up to an additional $1,500,000 concurrently with closing of the Qualifying Transaction. Accordingly, Technical filed amended and restated information circular with the TSX Venture Exchange.

**Increased Offering**

In addition to the funds to be raised under Technical's previously announced offering, Technical on a commercially reasonable efforts basis, intends to increase the offering for a minimum of 10,000,000 common shares and up to a maximum of 15,000,000 Shares of Technical at a price of $0.10 per common Share (minimum of 2,000,000 Shares and a maximum of up to 3,000,000 Shares at an issue price of $0.50 per Share after giving effect to the consolidation taking place under the Qualifying Transaction) for minimum gross proceeds of $1,000,000 and maximum gross proceeds of $1,500,000. There is a commission equal to 8% of the gross proceeds received by Technical from the sale of the Shares, payable in cash, Shares or any combination thereof. In addition, the Corporation will grant a non-transferable option, for a period of five years from the date of closing, to purchase such number of Shares at an exercise price of $0.10 per Share ($0.50 after giving effect to the consolidation taking place under the Qualifying Transaction), as is equal to 8% of the aggregate number of Shares sold.

Technical also announces it has amended the term of its previously announced brokered financing to raise a minimum offering to $1,310,000, such that the minimum offering has increased to $2,000,000.

The Offering and the Private Placement, together, will raise minimum gross proceeds of $3,000,000 and maximum gross proceeds of $3,500,000. The closings of the Offering and the Private Placement are to occur concurrently with the closing of the Technical Qualifying Transaction.

**Special Shareholders Meeting**

On September 2, 2014, Technical obtained an interim order from the Court of Queen's Bench Alberta authorizing, among other things, Technical to hold a special meeting of shareholders of Technical relating to the Qualifying Transaction.

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

### RESULTS OF OPERATIONS

| | 9 month period ended September 30, 2014 | 9 month period ended September 30, 2013 | Dollar Increase/ (Decrease) | Percentage Increase/ (Decrease) |
|---|---|---|---|---|
| Research and development salaries & related benefits | **450,894** | 186,453 | 264,441 | 142% |
| Research and development consulting fees | **542,179** | - | 542,179 | 100% |
| Research and development expenses | **98,238** | - | 98,238 | 100% |
| Consultant fees | **301,311** | 228,403 | 72,908 | 32% |
| Lease and office maintenance | **210,508** | 176,762 | 33,746 | 19% |
| Professional fees | **382,193** | 206,590 | 175,603 | 85% |
| Travel expenses | **30,130** | 6,678 | 23,452 | 351% |
| Depreciation | **22,655** | 19,642 | 3,013 | 15% |
| Foreign exchange loss | **62,267** | 3,755 | 58,512 | 1558% |
| Finance expenses (income) | **7,167** | -17,538 | 24,705 | -141% |
| Stock-based compensation | **92,820** | 424,060 | -331,240 | -78% |
| **Net loss for the period before taxes** | **(2,200,362)** | (1,234,805) | (965,557) | 78% |
| Income tax expense | **15,805** | 3,509 | 12,296 | 350% |
| **Net loss for the period** | **(2,216,167)** | (1,238,314) | (977,853) | 79% |

**Analysis of expenses**

**Research and development salaries & related benefits** for the 9 months ended September 30, 2014 were $450,894 compared to $186,453 for the 9 months ended September 30, 2013, an increase of $264,441 or 142%. Throughout the period, the Company continued with employees added in the last fiscal year to support additional work including the research and development activity. The R&D team is significantly larger than the same period last year as clinical trials commence. This expense will continue to show increases through the end of this fiscal year and are expected to normalize in the next fiscal year with consistent R&D efforts and expenditures.

**Research and development consulting fees** for the 9 months ended September 30, 2014 were $542,179 compared to $nil for the 9 months ended September 30, 2013, an increase of $542,179 or 100%. Throughout the period, the Company incurred costs for key management and outsourced consulting primarily in leadership roles for clinical trial initiatives. In particular, the Company retained a leading clinical research organization (CRO) for the company's phase 2 clinical trial in critical limb ischemia which represents a large portion of these consulting fees. These R&D consulting fees will continue to be a main expenditure in achieving the Company's objectives through this fiscal year and beyond.

**Research and development expenses** for the 9 months ended September 30, 2014 were $98,238 compared to $nil for the 9 months ended September 30, 2013, an increase of $98,238 or 100%. Throughout the period, the Company incurred costs associated clinical trial initiatives. In particular, the Company has various supply costs and service fees associated with this activity. These R&D expenses will continue to be a main expenditure in achieving the Company's objectives through this fiscal year and beyond.

**Consultant's fees** for the 9 months ended September 30, 2014 were $301,311 compared to $228,403 for the 9 months ended September 30, 2013 representing an increase of $72,908 or 32%. This increase is the result of additional marketing and business development activity that carried out primarily by officers and directors of the Company to further the progress of its technology that began at the end of last fiscal year. In particular, a key senior management person was added during the previous fiscal year in order to facilitate various initiatives including investor presentations and financing activities, business conference attendance and presentations and strategic planning. This activity has continued into the 9 month period ended September 30, 2014 and is expected to continue on moving forward although will become more consistent by comparison in future fiscal quarters.

**Lease and office maintenance** for the 9 months ended September 30, 2014 was $210,508 compared to $176,762 for the 9 months ended September 30, 2013 representing an increase of $33,746 or 19%. This increase is due to expansion and revision of specific leased space for the labs in Israel.

**Professional Fees** for the 9 months ended September 30, 2014 were $382,193 compared to $206,590 for the 9 months ended September 30, 2013 representing an increase of $175,603 or 85%. The increase was primarily the result of continued legal expenses related to the going-public transaction and accounting fees in preparation of required financial filings, including audit and fees for the prospectus filing document. It is expected that these costs will diminish in fiscal 2015.

**Travel expenses** for the 9 months ended September 30, 2014 were $30,130 compared to $6,678 for the 9 months ended September 30, 2013, an increase of $23,452 or 351%. This increase is primarily the result of the Company attending additional industry conferences in order to network and establish the Company's technology amongst its peers and an increase in general travel of management to oversee infrastructure and operations, which did not occur during the same period in the last fiscal year. This activity has continued into the 9 month period ended September 30, 2014 and is expected to continue on moving forward.

**Depreciation** was $22,655 for the 9 months ended September 30, 2014 compared to $19,642 for the 9 months ended September 30, 2013 and increase of $3,013 or 15%. This increase is predominately related to office furniture and equipment additions of $50,597 in the last fiscal year ended December 31, 2013.

**Foreign exchange loss** for the 9 months ended September 30, 2014 was an expense of $62,267 compared to a gain of $3,755 for the 9 months ended September 30, 2013, an increase of $58,512 or 1558%. This increase is primarily the result of fluctuation in currency exchange rates incurred during the period for translation of US dollars, which continues to be stronger

against Canadian dollars, and New Israeli shekel to Canadian dollar, as well as the translation of period end balances of each foreign currency.

**Finance expenses (income)** were $7,167 expense for the 9 months ended September 30, 2014 compared to $17,538 income for the 9 months ended September 30, 2013, an increase of $24,705 or 141%. This is related to various interest charges and fees incurred during the respective periods. Activity in this regard has been higher this fiscal period.

**Stock-based compensation** was $92,820 for the 9 months ended September 30, 2014 compared to $424,060 for the 9 months ended September 30, 2013, a decrease of $331,240 or 78%. This is related to the initial expensing of a tranche of options granted in the last fiscal year compared to a much smaller new tranche of option grants during the same period this fiscal year.

**Income taxes** were $15,805 for the 9 months ended September 30, 2014 compared to $3,509 for the 9 months ended September 30, 2013, an increase of $12,296 or 350%. This increase is related to the tax expenses for the 9 months ended September 30, 2014 in Hemostemix Ltd. for the Israel lab operations.

**Liquidity and Capital Resources**

For 9 months ended September 30, 2014, there was a net cash outflow from operating activities of $2,165,906 compared to a net cash outflow of $850,163 for the 9 months ended September 30, 2013, an increase of $1,315,743.

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

| | | |
|---|---|---|
| Increase in net loss | $ | 977,853 |
| | | |
| Decrease in Stock-based compensation | | 331,240 |
| Increase in depreciation of fixed assets | | (3,013) |
| Change in other receivables and prepaid expenses | | 94,857 |
| Change is HST receivable | | (405) |
| Change in Accounts payable and accrued liabilities | | (91,947) |
| Change in Income taxes payable | | 7,158 |
| Increase in the net cash used for operations | $ | 1,315,743 |

As at September 30, 2014 the Company had working capital of $1,164,628 compared to working capital of $378,695 at December 31, 2013, a difference of $785,933. This increase in working capital is a result of;

1) An increase in cash of $802,934;
2) An increase in HST receivable of $30,425;
3) A decrease in other receivables and prepaid expenses of $3,004;
4) An increase in accounts payable and accrued liabilities of $48,071;
5) A decrease in Income taxes payable of $3,649.

**Outstanding Share Data**

As at September 30, 2014, the number of outstanding shares was 570,021,193 (December 31, 2013 – 505,902,193). During the 9 months ended September 30, 2014 the Company issued the following shares:

i) on February 24, 2014 the Company entered into investment agreements according to which the Company issued (1) 800,000 Ordinary shares at a price per share of $0.05, for an aggregate amount of $40,000; (2) 64,000 ordinary shares as finder's fee at a price per share of $0.05.

ii) In addition, the Company entered into five private placements between April and June 2014 and issued 63,255,000 shares for gross proceeds of $3,162,750.

iii) As at November 26, 2014 the number of shares outstanding was 570,021,193.

As at September 30, 2014, the Company had 56,800,000 share purchase options outstanding (December 31, 2013 – 46,600,000). During the 9 months ended September 30, 2014, on August 28, 2014 the Company issued 10,200,000 options to board and management. As at November 26, 2014, the number of outstanding options was 56,800,000.

As at September 30, 2014, the Company had a total of 9,091,580 share purchase warrants outstanding (December 31, 2013 – 4,023,180). In connection with five private placement transactions between April and June 2014 the Company issued 5,068,400 finders' warrants which are exercisable at $0.05 and expiring 60 months from the completion of the Qualifying Transaction. As at November 26, 2014, the number of outstanding warrants was 9,091,580.

**SUBSEQUENT EVENTS AND NEWS**

**1. October 11, 2014 - Theravitae Inc. Announces Leadership Transition, Elmar Burchardt to be Appointed CEO and Director of TheraVitae Inc.**

Bill Baker, Chairman and Chief Executive Officer of TheraVitae Inc. announced the appointment of Elmar R. Burchardt, M.D., Ph.D., D.Sc. as the company's incoming Chief Executive Officer effective October 22, 2014. At that time he will also join the company's Board of Directors.

Dr. Elmar R. Burchardt, M.D., Ph.D, D.Sc., has over 20 years of academic and industry experience in the areas of cell therapy, hematology, and cardiovascular diseases. As Vice President of Aastrom Biosciences Inc. (NASDAQ) from 2006 to 2010, Dr. Burchardt initiated and successfully completed Aastrom Bioscience's US-based clinical cell therapy trials in Critical Limb Ischemia and Dilated Cardiomyopathy. Dr. Burchardt has been the Vice President of Pfizer Inc. (NYSE) from 2010 to date.

Previously, Dr. Burchardt worked for Miltenyi Biotec GmbH in Germany, where his responsibilities included the worldwide development and market introduction strategy of 10 new clinical cell therapy products, including one of the most extensive cell therapy development programs in cardiac diseases. Dr. Burchardt holds M.Sc. and Ph.D. degrees in biochemistry and an M.D. from Hannover Medical School in Hannover, Germany.

**Closing Update**

TVI executed an Amending Agreement to the original Plan of Arrangement Agreement with Technical Ventures RX Corp. dated July 19, 2013, as amended, Pursuant to the terms of the Agreement, the outside closing date for merger with Technical

has been extended to November 14, 2014. The extension will provide time for Technical to complete the increased financing, which was increased from $2M to up to $3.5M, as described in Technical's news release dated September 23, 2014, a copy of which is available for review on SEDAR at www.sedar.com.

**2. November 12, 2014 – Technical Venture RX Corp. closes Financings and Plan of Arrangement**

Technical Ventures RX Corp. announced it closed its qualifying transaction with TheraVitae Inc. by way of plan of arrangement pursuant to which the parties amalgamated to form a new entity on November 10, 2014 under the Business Corporations Act of Alberta called "Hemostemix Inc". Trading will remain halted pending submission of satisfactory post-closing documentation to the TSX Venture.

Immediately prior to the completion of the Arrangement, Technical completed a brokered private placement and short form offering for combined aggregate gross proceeds of $3,500,000. The Financings consisted of the issuance of 35,000,000 Technical Common Shares at an issue price of $0.10 per Common Share. Immediately after closing the Financings, all outstanding Technical securities were exchanged for securities of Amalco pursuant to the terms of the Arrangement on a one for five basis, resulting in the issuance of 7,000,000 Amalco Common Shares at $0.50.

Additionally, all outstanding TVI securities were exchanged for Amalco securities on a one for ten basis under the Arrangement. Wolverton Securities Ltd., together with its selling group members, received, pursuant to the Financings, agent's options to purchase an aggregate of 560,000 Amalco Common Shares at a price of $0.50 after giving effect to the Arrangement. The Agent's Options are exercisable until November 10, 2019. The Agent also received a commission equal to 8% of the gross proceeds under the Financings, which was payable in cash and via the issuance of 120,000 Amalco Common Shares at a deemed issue price of $0.50.

In addition, Technical paid the Agent a corporate finance fee, which was partially paid via the issuance of 50,000 Amalco Common Shares at a deemed price of $0.50. Under the short form offering, Technical issued 1,453,500 Common Shares (or 290,700 Amalco Common Shares) to shareholders who are considered designated "Designated Hold Purchasers" and whose Amalco Common Shares are subject to a four month hold period ending March 11, 2015. In addition, 320,000 of the Agent's Options and 32,000 Common Shares issued to the Agent as partial payment of commissions under the short form offering are subject to a hold period ending March 11, 2015.

The net proceeds from the Financings will be used by Amalco to continue funding its Phase 2 Clinical Trial which is currently underway in Canada for its lead product, ACP-01, for the treatment critical limb ischemia and for general working capital purposes.

After giving effect to the Arrangement and the Financings, Amalco will have 65,172,119 Common Shares outstanding and the new trading symbol will be "HEM".

Upon completion of the Arrangement, all outstanding stock options of TVI and Technical were exchanged for 5,780,000 Amalco stock options pursuant to the Arrangement, with 5,680,000 Amalco stock options being exercisable at $0.10 and 100,000 Amalco stock options being exercisable at $0.50. All Amalco stock options expire five years from the date of grant.

## SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 to the unaudited interim condensed consolidated financial statements for a detailed description of our significant accounting policies.

## RECENT STANDARDS AND STANDARDS ISSUED BUT NOT YET ADOPTED

### Standards and amendments adopted

*IFRS 10 Consolidated Financial Statements*

IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 became effective for the Company on January 1, 2013. The Company determined that the adoption did not result in any change to the consolidated financial statements.

*IFRS 12 Disclosure of Interest in Other Entities*

IFRS 12 – Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities' reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 became effective for the Company on January 1, 2013. The Company determined that the adoption did not result in any change to the consolidated financial statements.

*IFRS 13 Fair value measurement*

IFRS 13 – Fair value measurement ("IFRS 13"), aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 was issued by the IASB in May 2011. IFRS 13 became effective for the Company on January 1, 2013. The adoption did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at December 31, 2013. Enhanced disclosures are included in these consolidated financial statements.

### Standard issued and not yet adopted

*IFRS 9 – Financial Instruments*

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

*IFRS 15 - Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2017, and provides new requirements for recognizing revenue. IFRS 15's core principle is for a company to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 sets out enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The Company intends to adopt the new Standard on its effective date and has yet to consider the impact on its financial reporting.

## 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. In management's opinion, these transactions were in the normal course of operations and were recorded at the exchange value which was the amount of consideration established and agreed to by the related parties.

The following transactions with related parties and key management personnel are included in the accompanying interim condensed consolidated financial statements:

The Company incurred $224,997 and $188,545 in consulting fees to directors during the nine month period ended September 30, 2014 and 2013, respectively. The Company incurred $75,999 and $69,999 in consulting fees to directors during the three month period ended September 30, 2014 and 2013, respectively. As at September 30, 2014, the Company has $38,213 in accounts payable and accrued liabilities owing to these directors (December 31, 2013 - $66,670).

During the year ended December 31, 2013, the Company issued 26,768,791 ordinary shares to two of the Company's major shareholders, one of whom is a director and officer and the other holds more than 10% of the outstanding ordinary shares to repay the shareholders debt. The shares were issued at a deemed price of $0.01 for an aggregate debt settlement of $267,688.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has established and continues to complement a system of disclosure controls and procedures and internal controls over financial reporting. This system is designed to provide reasonable assurance that material information relating to the issuer and its subsidiaries are available and reported to senior management and permits timely decisions regarding public disclosure. As of September 30, 2014, 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 period management continued to address, as required, steps to improve disclosure controls and procedures and internal controls over financial reporting. However, no specific changes to disclosure controls and procedures were made during the period. The Company recognizes this is an ongoing and dynamic process and continues to focus on internal controls related to financial reporting and disclosure controls and procedures and is committed to further improvements in the future.

## RISKS AND UNCERTAINTIES

### Possible Failure to Realize Anticipated Benefits of the Arrangement

Hemostemix complete a "going public" transaction by way of a reverse take-over on November 10, 2014, to create a stronger and better positioned entity to strengthen their position in the clinical stage biotechnology industry and to create the opportunity to realize certain benefits including, among other things, the commercialization of the stem cell industry, increased liquidity, greater access to capital markets and increased ability to pursue and the development and acquisition opportunities. Achieving the benefits of this transaction depends, in part, on successfully consolidating the operations of Hemostemix in an efficient manner. There can be no assurance that, after giving effect to the transaction, Hemostemix will be able to realize the anticipated growth opportunities and synergies required to achieve the anticipated benefits.

### Biotech Public Market Risks

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

### Early Stage Development and Scientific Uncertainty

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

### Additional Financing Requirements and Access to Capital

Hemostemix will require substantial additional funds for further research and development, planned clinical testing, regulatory approvals, establishment of manufacturing capabilities and, if necessary, the marketing and sale of its products. Hemostemix may attempt to raise additional funds for these purposes through public or private equity or debt financing,

collaborations with other biopharmaceutical companies and/or from other sources. There can be no assurance that additional funding or partnership will be available on terms acceptable to Hemostemix and which would foster successful commercialization of Hemostemix products.

**Government Regulations**

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

The process of completing clinical testing and obtaining required approvals is likely to take several years and require the expenditure of substantial resources. Furthermore, there can be no assurance that the regulators will not require modification to any submissions which may result in delays or failure to obtain regulatory approvals. Any delay or failure to obtain regulatory approvals could adversely affect the ability of Hemostemix to utilize its technology, thereby adversely affecting operations. Further, there can be no assurance that Hemostemix diagnostic product candidates will achieve levels of sensitivity and specificity sufficient for regulatory approval or market acceptance, or that its therapeutic product candidates prove to be safe and effective in clinical trials, or receive the requisite regulatory approval. There is no assurance that Hemostemix will be able to timely and profitably produce its products while complying with all the applicable regulatory requirements. Foreign markets, other than the United States and Canada, impose similar restrictions.

**Hazardous Materials and Environmental Matters**

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

**Patents and Proprietary Technology**

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

Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Hemostemix products, or design around the products patented by Hemostemix. In addition, Hemostemix may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to Hemostemix. If Hemostemix does

not obtain such licenses it could encounter delays in introducing one or more of its products to the market, while it attempts to design around such patents, or could find that the development, manufacturing or sale of products requiring such licenses could be foreclosed. In addition, Hemostemix could incur substantial costs in defending itself in suits brought against it on such patents or in suits where it attempts to enforce its own patents against other parties.

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

**Dependence on Collaborative Partners, Licensors and Others**

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

If any collaborative partner fails to develop, manufacture, or commercialize successfully any product to which it has rights, or any partner's product to which Hemostemix will have rights, Hemostemix business may be adversely affected. Failure of a collaborative partner to continue to participate in any particular program could delay or halt the development or commercialization of products generated from such program. In addition, there can be no assurance that the collaborative partners will not pursue other technologies or develop alternative products either alone or in collaboration with others, including Hemostemix competitors, as a means for developing treatments for the diseases targeted by Hemostemix programs.

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

**Rapid Technological Change**

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

**Competition**

Technological competition from pharmaceutical companies, biopharmaceutical companies and universities is intense and is expected to increase. Potential competitors of Hemostemix have or may develop product development capabilities or financial, scientific, marketing and human resources exceeding those of Hemostemix. Competitors may develop products before Hemostemix develops its own products, obtain regulatory approval for such products more rapidly than Hemostemix, or develop products which are more effective than those which Hemostemix intends to develop. Research and development by others may render Hemostemix proposed technology or products obsolete or non-competitive or produce treatments or cures superior to any therapy developed or to be developed by Hemostemix, or otherwise preferred to any therapy developed by Hemostemix.

**Status of Healthcare Reimbursement**

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

**Potential Product Liability**

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

**Manufacturing**

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

**Reliance on Key Personnel**

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

**Lack of Product Revenues and History of Losses**

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

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

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

**Conflict of Interest**

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

**No Key Man Insurance**

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

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

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

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

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