Hemostemix Inc.

(Formerly Theravitae Inc.)

Consolidated Financial Statements

December 31, 2014 and 2013

(Expressed in Canadian Dollars)

HEMOSTEMIX INC.

MANAGEMENT'S REPORT

These consolidated financial statements form the basis for all of the financial information that appears in this report. The consolidated financial statements and all the information in this report are the responsibility of the management of Hemostemix Inc. and have been reviewed and approved by the Board of Directors. The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities. MNP LLP, the shareholders' auditors, has audited these consolidated financial statements.

Management has prepared the consolidated financial statements according to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Under these standards, management has made certain estimates and assumptions that are reflected in the consolidated financial statements and notes. Management believes that these financial statements fairly present Hemostemix Inc.'s consolidated statements of financial position, statements of loss and comprehensive loss, changes in shareholders' equity and cash flows. In order to ensure the accuracy and objectivity of information included in the consolidated financial statements, management has implemented a system of internal controls designed to provide reasonable assurance that the consolidated financial statements are accurate and complete in all material respects. Management is of the opinion that these internal controls provide reasonable assurance regarding complete and accurate maintenance of accounting records necessary for the preparation of the consolidated financial statements.

The Board of Directors exercises its responsibility over the consolidated financial statements through the Company's Audit Committee. The Audit Committee reviews the consolidated financial statements and recommends their approval to the Board of Directors.

Per: *"Elmar Burchardt"*	*"David Berman"*
Elmar Burchardt	David Berman
President & CEO	Chief Financial Officer

Date: April 29, 2015

Table of Contents
December 31, 2014 and 2013

Independent Auditor's Report

To the Shareholders of Hemostemix Inc.

We have audited the accompanying consolidated financial statements of Hemostemix Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hemostemix Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Hemostemix Inc.'s ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 29, 2015

MNP LLP

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2014	December 31, 2013
Assets		
Current		
Cash and cash equivalents	**$ 3,305,487**	$ 351,199
HST receivable	**250,262**	170,520
Other receivables and prepaid expenses *(note 4)*	**188,942**	99,959
	3,744,691	621,678
Other receivables and prepaid expenses - non-current *(note 4)*	**44,204**	44,115
Equipment, net *(note 5)*	**152,443**	151,054
Intangible assets, net *(note 6)*	**1**	1
	$ 3,941,339	$ 816,848
Liabilities		
Current		
Accounts payable and accrued expenses *(notes 7 and 13)*	**$ 517,741**	$ 198,194
Income taxes payable *(note 11)*	**33,962**	44,789
	551,703	242,983
Equity		
Share capital *(note 8)*	**21,140,085**	14,528,867
Contributed surplus *(note 10)*	**961,082**	424,060
Deficit	**(18,711,531)**	(14,379,062)
	3,389,636	573,865
	$ 3,941,339	$ 816,848

Going concern *(note 1)*
Commitments and contingencies *(note 12)*
Subsequent events *(note 15)*

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board

Signed: ***"Charles W. Baker"***
Director

Signed: ***"Elmar Burchardt"***
Director

Consolidated Statements of Loss and Comprehensive Loss
for the years ended December 31
(Expressed in Canadian Dollars)

		2014		2013
Expenses				
Research and development salaries and related benefits	**$**	**619,144**	$	285,819
Research and development consulting fees *(note 4)*		**787,082**		-
Research and development expenses *(note 4)*		**158,650**		-
Consultant fees *(note 13)*		**534,742**		271,717
Lease and office maintenance		**302,410**		201,817
Professional fees		**808,670**		261,272
Travel expenses		**50,352**		62,330
Depreciation *(note 5)*		**31,818**		25,654
Foreign exchange loss (gain)		**30,987**		(19,854)
Finance (income) expenses		**(858)**		2,040
Listing fees *(note 3)*		**509,390**		-
Stock-based compensation *(note 10)*		**490,780**		424,060
Net loss and comprehensive loss for the year before income tax expense		**(4,323,167)**		(1,514,855)
Income tax expense *(note 11)*		**9,302**		25,644
Net loss and comprehensive loss for the year	**$**	**(4,332,469)**	$	(1,540,499)
Loss per share – basic and diluted	**$**	**(0.07)**	$	(0.03)
Weighted average number of common shares outstanding - Basic and diluted		**58,143,865**		57,002,119

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity
for the years ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Shares Subscribed	Contributed Surplus	Deficit	Total
Balance, December 31, 2012	43,111,358	$ 12,752,463	$ 447,097	$ -	$ (12,838,563)	$ 360,997
Proceeds from private placement	7,446,861	1,776,404	(447,097)	-	-	1,329,307
Shares issued as finder's fees	32,000	-	-	-	-	-
Issuance of share options	-	-	-	424,060	-	424,060
Net loss and comprehensive loss for the year	-	-	-	-	(1,540,499)	(1,540,499)
Balance, December 31, 2013	50,590,219	14,528,867	-	424,060	(14,379,062)	573,865
Proceeds from private placement	6,405,500	3,202,750	-	-		3,202,750
Shares issued as agent's fees	6,400	-	-	-	-	-
Shares issue costs	-	(250,220)	-	-	-	(250,220)
Reverse Take-over of TVI by Technical						
Eliminate TVI common shares	(57,002,119)	-	-	-	-	-
Issuance of shares by Technical	57,002,119	-	-	-	-	-
Reverse take-over transaction *(notes 3 and 10)*	1,000,000	500,000	-	46,242	-	546,242
Proceeds from private placement	7,000,000	3,500,000	-	-		3,500,000
Shares issued as agent's fees	170,000	-	-	-	-	-
Shares issue costs	-	(344,672)	-	-	-	(344,672)
Issuance of share options	-	-	-	490,780	-	490,780
Exercise of warrants	6,720	3,360	-	-	-	3,360
Net loss and comprehensive loss for the year	-	-	-	-	(4,332,469)	(4,332,469)
Balance, December 31, 2014	**65,178,839**	**$ 21,140,085**	**$ -**	**$ 961,082**	**$ (18,711,531)**	**$ 3,389,636**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
for the years ended December 31
(Expressed in Canadian Dollars)

	2014	2013
Cash flow from operating activities		
Net loss for the year	**$ (4,332,469)**	$ (1,540,499)
Items not affecting cash:		
Depreciation of equipment	**31,818**	25,654
Listing fees *(note 3)*	**509,390**	-
Stock-based compensation *(note 10)*	**490,780**	424,060
Non-cash working capital items:		
Other receivables and prepaid expenses	**(27,324)**	(70,390)
HST receivable	**(79,742)**	(39,440)
Accounts payable and accrued expenses	**283,915**	65,828
Income taxes payable	**(10,827)**	27,558
	(3,134,459)	(1,107,229)
Cash flow from investing activity		
Purchase of equipment	**(33,207)**	(50,597)
Cash flow from financing activities		
Proceeds from issuance of common shares, net	**6,107,858**	1,329,307
Exercise of warrants	**3,360**	-
Cash acquired on RTO *(note 3)*	**10,736**	-
	6,121,954	1,329,307
Increase in cash and cash equivalents	**2,954,288**	171,481
Cash and cash equivalents, beginning of year	**351,199**	179,718
Cash and cash equivalents, end of year	**$ 3,305,487**	$ 351,199

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2014 and 2013
(Expressed in Canadian dollars)

1. Nature of the Company and Going Concern

Theravitae Inc. ("TVI") was originally incorporated under the Canada Business Corporation Act. Kwalata Trading Ltd, a wholly-owned subsidiary, incorporated under the laws of Cyprus was established to own intellectual property ("IP"). Hemostemix Ltd, another wholly-owned subsidiary was incorporated under the laws of Israel. The Company's head office is located at 1015 – 4 Street, Suite 730, Calgary, Alberta. TVI is a biotechnology Company whose principal business is to develop, manufacture and commercialize adult stem cell therapies to treat a variety of diseases.

On November 10, 2014, Technical Ventures RX Corp. ("Technical") closed a qualifying transaction with TVI by way of a reverse take-over transaction pursuant to which the parties amalgamated to form a new entity under the Business Corporations Act (Alberta) called "Hemostemix Inc." ("The Company") *[see note 3]*. These consolidated financial statements represent a transition year. The consolidated financial statements for the year ended December 31, 2014 reflect the assets, liabilities and results of operations of TVI, prior to November 10, 2014 , and the Company from the date of the reverse take-over transaction. The comparative consolidated financial statements for the year ended December 31, 2013 are those of TVI.

The Company incurred a net loss of $4,332,469 during the year ended December 31, 2014 (2013 - $1,540,499) and had an accumulated deficit as of December 31, 2014 was $18,711,531 (2013 - $14,379,062). Recurring sources of revenue have not yet proven to be sufficient, as the Company's biotechnology is at an early stage and the Company has not achieved operational profitability and positive cash flows.

These conditions raise substantial doubt about the Company's ability to continue operating as a going concern. The consolidated financial statements do not include any adjustments to reflect any events since December 31, 2014 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this uncertainty.

The Company's ability to continue to operate is dependent upon additional financial support. On November 10, 2014, immediately prior to the completion of the qualifying transaction, Technical completed a short form offering and brokered private placement for gross proceeds of $3,500,000 which will provide the Company with working capital into the next fiscal year.

These consolidated financial statements were approved by the Company's Board of Directors on April 27, 2015.

2. Summary of Significant Accounting Policies

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. Summary of Significant Accounting Policies - continued

Basis of presentation

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

These consolidated financial statements reflect the consolidated financial position as at December 31, 2014 and 2013, and the results of operations for the years then ended of Hemostemix Inc.

Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Kwalata Trading Ltd. and Hemostemix Ltd. The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is determined when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases.

These consolidated financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by the Company and all subsidiaries. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Functional and presentation currency

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

Segment reporting

The Company's CEO has been identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company's management system. The Company has determined that it only has one operating segment. The Company has current assets of $64,517 and non-current assets of $196,647 located in Israel, the remaining assets are located in Canada. The Company has yet to earn revenue.

2. Summary of Significant Accounting Policies - continued

Use of estimates and judgments

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

Financial instruments

Financial instruments of the Company consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities.

Financial assets

All financial assets are recognized and derecognized on the trade date, where their purchase or sale are under a contract whose terms require delivering the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets classified at fair value through profit or loss, which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’ (“AFS”) financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company does not currently have any financial assets in the held-to-maturity or available-for-sale categories.

Other receivables having fixed or determinable payments and not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables for which recognizing interest would be immaterial.

The Company assesses financial assets, other than those at FVTPL, for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the investment’s estimated future cash flows have been affected. Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate. For trade receivables, the carrying amount is reduced through an allowance account.

2. Summary of Significant Accounting Policies - continued

Financial liabilities

The Company classifies financial liabilities as either financial liabilities at 'FVTPL' or 'other financial liabilities'. Other financial liabilities, consisting of accounts payable and accrued liabilities, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, recognizing interest expense on an effective yield basis.

Cash and cash equivalents

Cash and cash equivalents are defined as cash plus highly liquid assets with an original term to maturity of three months or less. As at December 31, 2014, the Company had a balance of $2,990 in cash equivalents (2013 - $42,960) which consisted of term deposits.

Research and development costs

The Company expenses amounts paid for intellectual property, development and production expenditures as they are incurred. However, such costs are deferred and recorded in intangible assets when they meet generally accepted criteria, to the extent that their recovery can reasonably be regarded as assured.

The costs must meet the following criteria to be deferred: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; the probability of future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Once those criteria are met, the future costs, such as costs to obtain patent or trademark protection over the developed technologies, will be capitalized. These costs are then amortized over their expected useful lives. To date it has not been demonstrated that these expenditures will generate or be able to be used to generate probable future economic benefits.

Equipment

Equipment is recorded at cost less accumulated depreciation and impairment, if any. These assets are depreciated over their estimated useful lives using the following annual rates and methods:

Computers and equipment	33%	declining balance
Office furniture and equipment	7% - 15%	declining balance

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which include equipment and intangibles) is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

2. Summary of Significant Accounting Policies - continued

Impairment of non-financial assets - continued

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount; however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Provisions

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

Share-based compensation

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

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

2. Summary of Significant Accounting Policies - continued

Income tax

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

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

Deferred taxes

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

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

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

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

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

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

2. Summary of Significant Accounting Policies - continued

Loss per share

Loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the period. Common stock equivalents are excluded from the computation of diluted loss per share when their effect is anti-dilutive. For the periods presented, the potentially dilutive effect of stock options and warrants have proved to be anti-dilutive.

Standards and amendments adopted

The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014. The nature and the impact of each new standard and amendment is described below:

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32, Financial Instruments: Presentation

These amendments clarify the meaning of currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company, since none of the entities in the Company has any offsetting arrangements.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13, *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at January 1, 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

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 intends to adopt IFRS 9 on its effective date and has not yet determined the potential impact on the Company's consolidated financial statements.

2. Summary of Significant Accounting Policies - continued

Standard issued and not yet adopted - continued

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.

3. Reverse Take-over Transaction (“RTO”)

Technical closed a qualifying transaction with TVI by way of plan of arrangement (the "Arrangement"), pursuant to which the parties amalgamated to form a new entity on November 10, 2014 under the Business Corporations Act (Alberta) called "Hemostemix Inc." (“the Company”). The Arrangement constitutes the qualifying transaction (the "Qualifying Transaction") of Technical in accordance with the requirements of the TSX Venture Exchange (the "TSX Venture") Policy 2.4 - Capital Pool Companies. The Arrangement is described in the amended and restated joint information circular of Technical and TVI dated September 30, 2014 (the "Joint Circular"). The TSX Venture Exchange accepted the filing of the Company’s Qualifying Transaction effective November 27, 2014, resulting in the shares of the Company beginning to trade on the Exchange under the symbol “HEM”.

3. Reverse Take-over Transaction (“RTO”) - continued

Pursuant to the arrangement, securities were exchanged as follows:

- Each outstanding Technical common share was exchanged for 0.20 of a Hemostemix Inc. share;
- Each outstanding Technical stock option was exchanged for 0.20 of a Hemostemix Inc. stock option;
- Each outstanding common share of TVI was exchanged for 0.10 of a Hemostemix share;
- Each outstanding stock option of the TVI was exchanged for 0.10 of a Hemostemix Inc. stock option;
- Each outstanding warrant of TVI was exchanged for 0.10 of a Hemostemix Inc. warrant; and
- 1,000,000 common shares issued to Technical were combined with the 57,002,119 common shares issued to TVI.

Concurrent Financing

Concurrent with the closing of the Qualifying Transaction, the Company closed a financing whereby 7,000,000 common shares were issued at a price of $0.50. Proceeds of $2,000,000 were raised through a short-term offering and $1,500,000 was raised pursuant to a brokered private placement. The Company incurred cash transaction costs of $344,672 in this transaction and an additional $85,000 of costs that were satisfied by the issue of 170,000 shares at $0.50 per share. The Company issued 320,000 non-transferable warrants exercisable at $0.50 a share and 240,000 agents warrants exercisable at $0.50 per share.

Name Change

Concurrent with the Qualifying Transaction, the directors of TVI and Technical resolved to name the amalgamated company “Hemostemix Inc.”

Accounting

Although the Qualifying Transaction resulted in the amalgamation of TVI and Technical, the Qualifying Transaction constituted a reverse take-over of Technical and has been accounted for as a reverse take-over transaction in accordance with guidance provided in IFRS 2 Share-based Payment and IFRS 3 Business Combinations. As Technical did not qualify as a business according to the definition in IFRS 3, this reverse take-over transaction does not constitute a business combination; rather, it is treated as an issuance of shares by TVI for the net monetary assets of Technical, followed by a recapitalization of TVI.

(Expressed in Canadian dollars)

3. Reverse Take-over Transaction ("RTO") - continued

The net assets of Technical received were as follows:

Cash	$ 10,736
Prepaid listing costs	61,750
Accounts payable and accrued liabilities	(35,634)
Total net assets acquired	$ 36,852
Notional price paid for Technical shares	$ 500,000
Fair value of executive options *(note 10)*	40,800
Fair value of agent warrants *(note 9)*	5,442
Total purchase price	$ 546,242
Listing expense on RTO	**$ 509,390**

Transaction costs incurred by the Company were expensed. The notional price paid for a Technical shares was determined based on the estimated fair value of common shares upon closing of the RTO transaction and concurrent financing.

4. Other Receivables and Prepaid Expenses

	December 31, 2014	December 31, 2013
V.A.T. receivable	**$ 16,886**	$ 20,430
Prepaid insurance, rent and security deposit	**101,114**	73,644
Receivable from broker	**-**	50,000
Prepaid research and development expenses	**115,146**	-
	233,146	144,074
Less: long-term portion of deposit	**44,204**	44,115
	$ 188,942	$ 99,959

During the year ended December 31, 2014, the Company entered into an agreement with Criterium, Inc. ("Criterium"), a multi-national clinical research organization which specializes in administering and managing clinical trials. Criterium will manage most aspects of the Company's phase 2 clinical trials. The value of the agreement with Criterium, Inc. is approximately US$3.1 million and will be allocated over the 30 month span of the trial as the expenses are incurred. As at December 31, 2014, the Company has paid Criterium US$952,010 (CAD$1,104,427). Of the initial payment, US$150,000 (CAD$174,015) was required as a deposit for clinical research activities that is maintained and replenished as costs are incurred by Criterium. To date the deposit has been reduced by expenses of US$50,744 (CAD$58,869) resulting in a net balance of US$99,255 (CAD$115,146), as adjusted to the period end spot rate). The Company will be required from time to time to replenish the deposit to US$150,000.

(Expressed in Canadian dollars)

5. Equipment

	Computers and equipment	Office furniture and equipment	Total
Cost			
As at December 31, 2012	$ 9,543	$ 145,777	$ 155,320
Additions	277	50,320	50,597
As at December 31, 2013	$ 9,820	$ 196,097	$ 205,917
Additions	21,942	11,265	33,207
As at December 31, 2014	**$ 31,762**	**$ 207,362**	**$ 239,124**
Accumulated depreciation			
As at December 31, 2012	$ 5,987	$ 23,222	$ 29,209
Depreciation	1,809	23,845	25,654
As at December 31, 2013	$ 7,796	$ 47,067	$ 54,863
Depreciation	1,823	29,995	31,818
As at December 31, 2014	**$ 9,619**	**$ 77,062**	**$ 86,681**
Net book value			
As at December 31, 2013	$ 2,024	$ 149,030	$ 151,054
As at December 31, 2014	**$ 22,143**	**$ 130,300**	**$ 152,443**

(Expressed in Canadian dollars)

6. Intangible Assets

Proprietary Protection **-** The Company's intellectual property is protected by several issued patents grouped together in five patent families. Additional provisional patent applications have been filed and patents continue to be prosecuted in additional countries**.**

The five patent families are:

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

7. Accounts Payable and Accrued Expenses

		December 31, 2014		December 31**,** 2013
Accounts payable	**$**	**358,070**	$	112,396
Employee and payroll accruals		**46,880**		35,040
Accrued expenses		**112,791**		50,758
	$	**517,741**	$	198,194

Notes to Consolidated Financial Statements
December 31, 2014 and 2013
(Expressed in Canadian dollars)

8. Share Capital

The Company is authorized to issue an unlimited number of shares designated as Common Shares and an unlimited number of shares designated as Preferred Shares.

All share numbers below are represented retroactively after giving effect to the share exchanges completed as part of a Qualifying Transaction on November 10, 2014 as outlined in Note 3.

Common Shares

	Number of Shares #	Amount $
Balance, December 31, 2012	**43,111,358**	**$ 12,752,463**
Share issuances (i)	1,794,090	179,409
Share issuances (ii)	2,676,879	267,688
Share issuances (iii)	2,131,492	1,065,746
Share issuances (iv)	744,400	372,200
Shares issued for share issue costs (iv)	24,000	-
Share issuances (v)	100,000	50,000
Shares issued for share issue costs (v)	8,000	-
Share issue costs	-	(158,639)
Balance, December 31, 2013	**50,590,219**	**$ 14,528,867**
Shares issuances (vi)	80,000	40,000
Shares issued for share issue costs (vi)	6,400	-
Share issuances (vii)	2,379,500	1,189,750
Share issuances (viii)	934,000	467,000
Share issuances (ix)	1,170,000	585,000
Share issuances (x)	502,000	251,000
Share issuances (xi)	1,340,000	670,000
Share issuances (xii)	7,000,000	3,500,000
Shares issued for share issue costs (xiii)	170,000	-
Shares issued on qualifying transaction *[note 3]*	1,000,000	500,000
Warrants exercised (xiii)	6,720	3,360
Share issue costs	-	(594,892)
Balance, December 31, 2014	**65,178,839**	**$ 21,140,085**

8. Share Capital - continued

(i) On January 3, 2013, the Company entered into share subscription agreements according to which the Company issued 1,794,090 common shares, at a price of $0.10 per share, for gross proceeds of $179,409.

(ii) On January 3, 2013 and June 7, 2013, the Company issued 2,676,879 common shares to two of the TVI's major shareholders, one with whom is a director and officer and the other holds more than 10% of the outstanding common shares to repay the shareholders debt. The shares were issued at a deemed price of $0.10 for an aggregate debt settlement of $267,688.

(iii) On July 19, 2013, the Company entered into share subscription agreements according to which the Company issued 2,131,492 common shares, at a price of $0.50 per share, for gross proceeds of $1,065,746.

(iv) On October 2, 2013, the Company entered into share subscription agreements according to which the Company issued 744,400 common shares, at a price of $0.50 per share, for gross proceeds of $372,200. The Company issued additional 24,000 common shares as a finders' fee to the broker.

(v) On December 20, 2013, the Company entered into share subscription agreements according to which the Company issued 100,000 common shares, at a price of $0.50 per share, for gross proceeds of $50,000. The Company issued additional 8,000 common shares as a finders' fee to the broker.

The Company incurred transaction costs totalling $158,639 in share issue costs for the private placements outlined in (i) to (v) above.

(vi) On March 3, 2014, the Company entered into share subscription agreements according to which the Company issued 80,000 common shares, at a price of $0.50 per share, for gross proceeds of $40,000. The Company issued an additional 6,400 common shares and 6,400 agent warrants as a finders' fee to the broker.

(vii) On April 5, 2014, the Company entered into share subscription agreements according to which the Company issued 2,379,500 common shares, at a price of $0.50 per share, for gross proceeds of $1,189,750. The Company issued additional 190,360 agents warrants as a finders' fee to the broker.

(viii) On April 16, 2014, the Company entered into share subscription agreements according to which the Company issued 934,000 common shares, at a price of $0.50 per share, for gross proceeds of $467,000. The Company issued additional 74,720 agents warrants as a finders' fee to the broker.

(ix) On April 24, 2014, the Company entered into share subscription agreements according to which the Company issued 1,170,000 common shares, at a price of $0.50 per share, for gross proceeds of $585,000. The Company issued additional 93,600 agents warrants as a finders' fee to the broker.

(x) On May 8, 2014, the Company entered into share subscription agreements according to which the Company issued 502,000 common shares, at a price of $0.50 per share, for gross proceeds of $251,000. The Company issued additional 38,560 agents warrants as a finders' fee to the broker.

8. Share Capital - continued

(xi) On June 23, 2014, the Company entered into share subscription agreements according to which the Company issued 1,340,000 common shares, at a price of $0.50 per share, for gross proceeds of $670,000. The Company issued additional 103,200 agents warrants as a finders' fee to the brokers.

The Company incurred transaction costs totalling $250,220 in share issue costs for the private placements outlined in (vi) to (xi) above.

(xii) On November 10, 2014, concurrent with the Qualifying Transaction *[see note 3]* the Company closed a financing whereby 7,000,000 common shares were issued at a price of $0.50. Proceeds of $2,000,000 were raised through a short form offering and $1,500,000 was raised pursuant to a brokered private placement.

Pursuant to the transaction securities were exchanged as follows:

- Each outstanding Technical common share was exchanged for 0.20 of a Hemostemix Inc. share;
- Each outstanding Technical stock option was exchanged for 0.20 of a Hemostemix Inc. stock option;
- Each outstanding common share of TVI was exchanged for 0.10 of a Hemostemix Inc. share;
- Each outstanding stock option of the TVI was exchanged for 0.10 of a Hemostemix Inc. stock option; and
- Each outstanding warrant of TVI was exchanged for 0.10 of a Hemostemix Inc. warrant.

The Company incurred cash transaction costs of $344,672 in this transaction and an additional $85,000 of costs that were satisfied by the issue of 170,000 shares at $0.50 per share.

In addition the Company issued 320,000 non-transferable warrants exercisable at $0.50 a share and 240,000 agents warrants exercisable at $0.50 per share.

(xiii) On December 21, 2014, 6,720 warrants were exercised at a price of $0.50 for proceeds of $3,360.

(Expressed in Canadian dollars)

9. Warrants

All warrant numbers are represented retroactively after giving effect to the share exchanges completed as part of a Qualifying Transaction on November 10, 2014 as outlined in Note 3.

A summary of the status of the Company's warrants as at December 31, 2014 are as follows:

	2014		2013	
	Number of options **#**	**Weighted average exercise price** **$**	**Number of warrants** **#**	**Weighted average exercise price** **$**
Balance, beginning of year	**402,318**	**5.05**	214,247	9.05
Granted	**1,126,840**	**0.50**	188,071	0.50
Exercised	**(6,720)**	**(0.50)**	-	-
Balance, end of year	**1,522,438**	**1.68**	402,318	5.05

During the year ended December 31, 2013 the Company granted 188,071 finders' warrants in connection with certain private placements. Each warrant entitles the holder to acquire an additional common share at $0.50 per share and expires on November 27, 2019.

During the year ended December 31, 2014 the Company granted 506,840 warrants in connection with certain private placements. Each warrant entitles the holder to acquire an additional common share at $0.50 per share and expires on November 27, 2019.

In conjunction with the private placement on November 10, 2014 the Company granted 60,000 warrants to the former agents of Technical, and 560,000 warrants to agents of TVI. Each warrant entitles the holder to acquire an additional common share at $0.50 per share and expires on November 27, 2019.

The exercise price and expiry date of warrants outstanding as at December 31, 2014 are as follows:

Warrants	**Exercise Price**	**Expiry Date**
172,403	$ 9.00	November 27, 2015
12,612	$ 10.00	November 27, 2015
29,232	$ 7.50	November 27, 2015
1,308,191	$ 0.50	November 27, 2019
1,522,438		

(Expressed in Canadian dollars)

10. Share Options

	2014		2013	
	Number of options #	**Weighted average exercise price** $	**Number of options** #	**Weighted average exercise price** $
Balance, beginning of year	**4,660,000**	**0.10**	-	-
Granted	**1,120,000**	**0.14**	4,660,000	0.10
Balance, end of year	**5,780,000**	**0.11**	4,660,000	0.10

Number of Options #	**Exercise Price** $	**Weighted average remaining life** [years]
5,680,000	0.10	3.54
100,000	0.50	2.97
5,780,000		**3.53**

All share option numbers are represented retroactively after giving effect to the share exchanges completed as part of a Qualifying Transaction on November 10, 2014 as outlined in Note 3.

On August 28, 2014, 1,020,000 options with an exercise price of $0.10 per share were granted to certain directors and officers and vested immediately. The fair value of all options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free rate of return of 1.06%, expected share volatility of 150%, dividend yield of 0% and expected life of 5 years. This resulted in stock-based compensation expense of $490,780 [2013 - $424,060].

On November 10, 2014, Pursuant to the Qualifying Transaction, each outstanding Technical stock option and warrant was exchanged resulting in 100,000 options and 60,000 warrants issued. The fair value of these options and warrants was estimated on the date of the Qualifying Transaction using the Black-Scholes option pricing model with the following assumptions: risk free rate of return of 1.01%, expected share volatility of 150%, dividend yield of 0% and expected life of 0.14 to 3.14 years. The fair value of these options and warrants were valued at $40,800 and $5,442 for a total of $46,242 and constituted part of the reverse take-over transaction accounting. *[see note 3]*

(Expressed in Canadian dollars)

11. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

	2014	2013
Income loss before provision for income taxes	**$ (4,323,167)**	**$** (1,514,855)
Expected income tax (recovery)	**$ (1,145,640)**	$ (234,800)
Adjustments resulting from:		
Difference in foreign tax rates	**158,240**	32,290
Tax rate changes and other adjustments	**(170,800)**	112,360
Non-deductible expenses	**267,500**	63,154
Change in tax benefits not recognized	**900,002**	52,640
Provision for income taxes	**$ 9,302**	$ 25,644

The Company's income tax expense is allocated as follows:

Current tax expense	**$ 9,302**	**$** 25,644
Deferred tax expense	**-**	-
Provision for income taxes	**$ 9,302**	$ 25,644

The 2014 statutory tax rate of 26.5% differs from the 2013 statutory tax rate of 15.5% because of different federal and provincial substantively enacted tax rates being applicable to public corporations.

(Expressed in Canadian dollars)

11. Income taxes - continued

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2014	2013
Equipment	**$ 25,500**	$ 25,110
Share issuance costs	**$ 597,750**	$ 175,640
Cumulative eligible capital	**$ 9,586,620**	$ 9,586,620
Non-capital losses - Canada	**$ 10,988,600**	$ 7,953,140
Non-capital losses - Cyprus	**$ 1,920,800**	$ 790,540

The Canadian non-capital loss carry forwards expire as noted in the table below. The Cyprus non-capital losses expire in 2016 and 2017. Share issue and financing costs will be fully amortized in 2018. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2026	$ 434,530
2027	2,934,190
2028	900,120
2029	642,600
2030	1,340,250
2031	661,800
2032	566,080
2033	473,570
2034	3,035,460
Total	$ **10,988,600**

(Expressed in Canadian dollars)

12. Commitments and Contingencies

Lease commitments

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

The minimum lease commitments are as follows:

2015	$ 124,251
2016	124,251
2017	93,188
	$ 341,690

Contingencies

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

Consulting

The Company has entered into an agreement with Criterium to provide clinical research as described in Note 4. Under the agreement, the Company is expecting to pay a total of US$3.1 million over a 30 month period, as of December 31, 2014 the Company has paid US$952,010 (CAD$1,104,427).

13. Related Party Balances and Transactions

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

The following includes all compensation to key management personnel:

The Company incurred $344,764 in consulting fees to four directors (one who is a former officer and one who is a current officer) and one officer during the year ended December 31, 2014 (2013 - $234,979). As at December 31, 2014, the Company has $35,189 in accounts payable and accrued liabilities owing to these directors and officers (2013 - $66,670).

During the year ended December 31, 2013, the Company issued 2,676,879 ordinary shares to two of the Company's major shareholders, one of whom is a director and officer and the other of whom holds more than 10% of the outstanding ordinary shares to repay the shareholders debt. The shares were issued at a deemed price of $0.10 for an aggregate debt settlement of $267,688.

The stock-based compensation expense includes $490,780 (2013- $382,200) related to stock-options issues to directors and officers.

14. Capital and Risk Management

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 year.

Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

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

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

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. As at December 31, 2014 the Company has a working capital surplus of $3,192,988 (2013 - $378,695). As at the date of issue of these consolidated financial statements, the Company has an accumulated deficit of $18,711,531 (2013 - $14,379,062) and is not yet generating operating cash flows. The Company believes that its working capital surplus helps mitigate its liquidity risks to an acceptable level. However, as indicated in note 1, the Company plans on raising additional funds by way of additional private placements and through share issuances as part of a publicly traded company.

14. Capital and Risk Management - continued

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. This risk is mitigated through the use of reputable financial institutions in the United States, from which management believes the risk of loss to be remote.

Market risk

Interest rate risk arises because of the fluctuation in interest rates. The Company's objective in managing interest rate risk is to minimize the interest expense on liabilities and debt. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates as the Company does not have any interest bearing debt.

15. Subsequent Events

On January 7, 2015, 53,280 Agent warrants were exercised at $0.50 for proceeds of $26,640 resulting in the issuance of 53,280 common shares.

On January 12, 2015, the Company announced that Dr. Valentin Fulga is leaving the management team where he was President and will continue to serve as a Director.

On January 28, 2015, the Company named Gerald D. Brennan, Jr. to the Board of Directors.

On January 29, 2015, 20,000 Agent warrants were exercised at $0.50 for proceeds of $10,000 resulting in the issuance of 20,000 common shares.

On February 9, 2015, 100,000 Share purchase options were exercised at $0.10 for proceeds of $10,000 resulting in the issuance of 100,000 common shares.

On March 13, 2015, 15,000 Agent warrants were exercised at $0.50 for proceeds of $7,500 resulting in the issuance of 15,000 common shares.

On March 18, 2015, 150,000 Share purchase options were exercised at $0.10 for proceeds of $15,000 resulting in the issuance of 150,000 common shares.