Hemostemix Inc. (formerly Theravitae Inc.)

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

For the year ended December 31, 2014 and 2013 as at April 25, 2015

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 years ended December 31, 2014 and December 31, 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 audited annual consolidated financial statements of the Company for the years ended December 31, 2014 and December 31, 2013 and the accompanying notes. Those audited annual consolidated financial statements have been reviewed by the Audit Committee of the Company and have been approved by its Board of Directors. Additional information relating to the Company is available on SEDAR at www.sedar.com, as well as the Company's Web site at www.hemostemix.com.

The financial statements for the years ended December 31, 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

RTO Transaction

Technical Ventures RX Corp. ("Technical") closed a qualifying transaction with Theravitae Inc. ("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".

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

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 Suite 730, 1015 - 4 Street SW, Calgary, Alberta T2R 1J4. Hemostemix Ltd. was incorporated on June 20, 2011 in Israel and Kwalata Limited ("Kwalata") was incorporated on November 1, 2007 in Cyprus.

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

SELECTED FINANCIAL INFORMATION FOR THE YEAR

The following table provides selected consolidated financial information for the Company as at and for the years ended December 31, 2014 and December 31, 2013.

	As at December 31, 2014 Total $	**As at December 2013 Total $**
Current assets	**3,744,691**	621,678
Total assets	**3,941,339**	816,848
Total liabilities	**551,703**	242,983
	Year ended December 31, 2014 Total $	**Year ended December 31, 2013 Total $**
Total expenses	**4,323,167**	1,514,855
Net and comprehensive loss	**(4,332,469)**	(1,540,499)
Basic and diluted loss per share	**(0.07)**	(0.03)

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

The following MD&A of the results of operations and financial condition of the Company are based on and derived from and should be read in conjunction with the audited annual consolidated financial statements and notes to the financial statements for the years ended December 31, 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 addressed by current therapies. It was granted the Technology Pioneer Award by the World Economic Forum in 2006.

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

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

Hemostemix and Hemostemix Ltd. have completed 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 and completion of a going public transaction.

e) began trading as Hemostemix Inc.(TSXV:HEM) on the TSX Venture Exchange in November 2014.

While Hemostemix corporate head office is in Calgary. Alberta, 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 product pipeline. The facility is equipped with a clean room and equipment necessary to conduct the proprietary process of manufacturing outlined in its intellectual property and both disclosed to and approved by Health Canada for the purposes of providing the product for Hemostemix' 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 additional manufacturing capabilities.

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

Hemostemix, 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. As of December 31, 2014, AIM has treated four patients.

Hemostemix Mission Statement

Hemostemix is a clinical-stage company developing and commercializing therapies for the treatment of serious medical conditions, including critical limb ischemia ("CLI"), that are not adequately addressed by current treatments.

Outlook and Growth Strategy

Hemostemix started to enroll patients in a prospective, international, multi-center, placebo-controlled, double blind, clinical phase II trial in Canada and in South Africa in 2014.

The primary product in development, which consumes most of the Company's initial focus and development resources, is "ACP-01". ACP-01 is an innovative, proprietary, autologous, blood-derived cell product. Hemostemix' prospective, randomized, placebo-controlled, double blind phase 2 clinical trials to confirm the safety and efficacy of ACP-01is currently enrolling patients in two centers in Canada and in four centers in South Africa. Hemostemix is currently evaluating the addition of other trial sites in different regions of the world.

Hemostemix is anticipating clearance to expand its clinical trial activities to the United States in 2015. Based on Hemostemix' current projections, recruitment of patients into the trial will continue until the end of 2016. In addition to its ongoing phase 2 multicenter trials, Hemostemix is planning supporting preclinical experiments and a small open-label clinical trial using high resolution imaging to demonstrate that ACP-01 improves microcirculation. If these studies are completed successfully, Hemostemix will progress its lead development product, ACP-01, into a global pivotal phase 3 clinical development program and the potential for licensing partners to move this program forward.

Hemostemix has 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 a exploring other manufacturing option to supply products for ongoing clinical trial activities as well as to prepare for commercial distribution of ACP-01 in jurisdiction where early commercial distribution of the ACP-01 is possible.

Hemostemix may expand its manufacturing capacity using its own resources or a contract manufacturer. 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, but in most jurisdictions clinical data from a phase 3 clinical trial will be required to obtain such approval. While focusing on developing ACP-01 through the clinical trial process in the US and in Europe, Hemostemix will seek early commercialization alone or with partners in countries having a suitable regulatory framework.

While the focus of its activities is its lead product, ACP-01, Hemostemix is planning to further advance its other proprietary cell products, i.e., BCPs, MCPs, and NCPs, through experimental, non-human testing towards first use in humans. For these products, first use in humans is currently not planned before 2017.

The development of its platform technology products in different regions of the world and across different indications will be done directly and/or through licensees or partners.

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

Hemostemix does not generate commercial revenue at this time. 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 has received clearance to treat these patients within a clinical trial. AIM had very limited operations to date and Hemostemix has not received any revenue from AIM.

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 plans 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 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, the market will be physicians and their patients. Market acceptance is anticipated to be a function Hemostemix product advantages including safety, efficacy and cost.

The human clinical testing and commercial distribution of Hemostemix' products are strictly regulated by regulatory authorities with some harmonization of regulatory controls within the European Union and between the European Union and other countries including the United States.

Marketing Plans and Strategies

Hemostemix intends to sell its products into healthcare markets for the treatment of specific conditions once regulatory approval is obtained. 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. At the time of this filing, the sale of its products without further clinical testing, either direct or through other parties, is not part of Hemostemix' current business objectives for the purposes of this filing.

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 as well as in the Republic of Panama. Management of Hemostemix does not believe AIM's operation or the status of the license agreement is material to Hemostemix current operations.

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, angioplasty and stenting. 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 small 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 year

1. Hemostemix completed a financing of $3.5M simultaneous with a "public" RTO transaction in November 2014 and commenced trading on the TSX Venture Exchange under the ticker symbol HEM.
2. Elmar R. Burchardt, MD PhD was appointed as the new CEO of Hemostemix in October 2014.

3. Hemostemix recruited Criterium Inc. to become the clinical research organization (CRO) for its multicenter phase 2 trial in patients with CLI.
4. Closed agreement with World Courier to ship the blood and the cells to and from the clinical sites.
5. The first patient in the phase 2 clinical trial was enrolled and treated at Vancouver General Hospital.
6. The Medicine Control Council (MCC) approved the expansion of Hemostemix multicenter phase II trial to South Africa.
7. Toronto General Hospital was added as a treatment center in March, 2015.
8. The Company presented its technology at the World Stem Cell Congress in Boston.
9. The Company presented its technology at the IBC Cell Therapy Bioprocessing Conference in Arlington, US.

News during this fiscal year

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

The Company issued (1) 80,000 Ordinary shares at a price per share of $0.50, for an aggregate amount of $40,000; (2) 6,400 ordinary shares as finder's fee at a price per share of $0.50; and (3) granted 6,400 warrants, outstanding and exercisable at $0.50 and expiring 60 months from completion of the reverse takeover ("RTO") Transaction.

2. **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.

3. **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.

4. **June 6, 2014 - Hemostemix Closes Private Placements Totaling over $4,000,000 since July 2013, 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 prior to June 2014).

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.

5. **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.

6. **August 28, 2014 - The Company granted 10,200,000 stock options (on a pre-Transaction basis) 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.**

7. **October 2, 2014 – The Company announced that Elmar R. Burchardt, M.D., Ph.D., D.S. is to be appointed Chief Executive Officer and Director of Hemostemix Inc.**

Bill Baker step downs as the CEO of Theravitae but remains as the Chairman, director, and Corporate Secretary of the resulting issuer after completion of the Qualifying Transaction and RTO.

Dr. Burchardt has over 17 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, he 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.

8. November 12, 2014 - Technical Ventures RX Corp. ("Technical") Closes Financings and Plan of Arrangement with Theravitae Inc. ("TVI")

Technical Ventures RX Corp. announced it has 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 called Hemostemix Inc.

Immediately prior to the completion of the Arrangement, there was 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 Hemostemix Inc. pursuant to the terms of the Arrangement on a one for five basis, resulting in the issuance of 7,000,000 Common Shares at $0.50. Additionally, all outstanding TVI securities were exchanged for Hemostemix Inc. securities on a one for ten basis under the Arrangement.

9. November 26, 2014 - Technical and TVI Complete RTO Transaction

The Company announced the TSX Venture Exchange issued a final Exchange Bulletin approving Technical Ventures RX Corp.'s previously announced qualifying transaction with Theravitae Inc., pursuant to which the parties amalgamated to form a new entity under the *Business Corporations Act (*Alberta*)* called "Hemostemix Inc.". Trading in the common shares of the Corporation on the Exchange resumed at the opening of markets on Thursday, November 27, 2014 under the symbol "HEM".

RESULTS OF OPERATIONS

Research and development salaries and related benefits	**619,144**	285,819	333,325	117%
Research and development consulting fees	**787,082**	-	787,082	100%
Research and development expenses	**158,650**	-	158,650	100%
Consultant fees	**534,742**	271,717	263,025	97%
Lease and office maintenance	**302,410**	201,817	100,593	50%
Professional fees	**808,670**	261,272	547,398	210%
Travel expenses	**50,352**	62,330	(11,978)	-19%
Depreciation	**31,818**	25,654	6,164	24%
Foreign exchange loss (gain)	**30,987**	(19,854)	50,841	-256%
Finance expenses (income)	**(858)**	2,040	(2,898)	-142%
Listing fees	**509,390**	-	509,390	100%
Stock-based compensation	**490,780**	424,060	66,720	16%
Net and comprehensive loss for the year before taxes	**(4,323,167)**	(1,514,855)	(2,808,312)	185%
Income tax expense	**9,302**	25,644	(16,342)	-64%
Net and comprehensive loss for the year	**(4,332,469)**	(1,540,499)	(2,791,970)	181%

Analysis of expenses

Research and development salaries and related benefits for the year ended December 31, 2014 were $619,144 compared to $285,819 for the year ended December 31, 2013, an increase of $333,325 or 117%. Throughout the year, the Company continued to build its R&D team and added people as the year continued and as finances permitted in order to support additional work including the research and development activity primarily related to the increase in clinical trial patients. Now, the R&D team is significantly larger than last year as clinical trials have increased. This expense will continue to show increases into the next fiscal year and is expected to normalize into the fiscal year after that.

Research and development consulting fees for the year ended December 31, 2014 were $787,082 compared to $nil for the year ended December 31, 2013, an increase of 100%. Throughout the year and particularly in the last two quarters of the fiscal year, the Company incurred costs and outsourced consulting primarily in leadership roles for clinical trial initiatives. The Company retained a leading clinical research organization (CRO) for the Company's phase 2 clinical trials 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 next year and beyond.

Research and development expenses for the year ended December 31, 2014 were $158,650 compared to $nil for the year ended December 31, 2013, an increase of 100%. Throughout the year, the Company incurred costs associated clinical trial initiatives. In particular, the Company has various supply costs and service fees associated with this activity, as well as CRO expenses related to travel and attending conferences. These R&D expenses will continue to be a main expenditure in achieving the Company's objectives through next year and beyond.

Consultant's fees for the year ended December 31, 2014 were $534,742 compared to $271,717 for the year ended December 31, 2013 representing an increase of $263,025 or 97%. This increase is the result of additional operational management, 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 fiscal year in order to facilitate various initiatives including investor presentations and financing activities, business conference attendance and presentations and strategic planning. Also, a chief financial officer and chief executive officer where added in the second half of this fiscal year, both on contractual arrangements. This cost will continue to represent key management personnel through the next fiscal year.

Lease and office maintenance for the year ended December 31, 2014 was $302,410 compared to $201,817 for the year ended December 31, 2013 representing an increase of $100,593 or 50%. This increase is due primarily to expansion and revision of specific leased space for the labs in Israel resulting in higher rent. Along with rent, added costs for supplies and materials, equipment rental, courier and utilities, all related to increased testing and clinical trial work have contributed to higher office maintenance costs for the year.

Professional fees for the year ended December 31, 2014 were $808,670 compared to $261,272 for the year ended December 31, 2013 representing an increase of $547,398 or 210%. The increase was primarily the result of a combination of accounting and continued legal expenses related to the going-public transaction. Work related to historical audit and financial presentation for the prospectus filing document and the associated legal work related to the prospectus contributed heavily to this large increase. It is expected that these costs will diminish by comparison in fiscal 2015.

Travel expenses for the year ended December 31, 2014 were $50,352 compared to $62,330 for the year ended December 31, 2013, a decrease of $11,978 or 19%. This decrease while relatively small is the result of the Company industry conferences in

order to network and establish the Company's technology amongst its peers and an increase in general travels of management to oversee infrastructure and operations. As a larger team was established for R&D operations in Israel, travel to Israel was slightly diminished by the end of the fiscal year.

Depreciation was $31,818 for the year ended December 31, 2014 compared to $25,654 for the year ended December 31, 2013 and increase of $6,164 or 24%. This increase is predominately related to office furniture and equipment additions of $33,207 during this fiscal year and $50,597 in additions from last fiscal year.

Foreign exchange loss for the year ended December 31, 2014 was a loss of $30,987 compared to a gain of $19,854 for the year ended December 31, 2013, an increase of $50,841 or 256%. This increase is primarily the result of fluctuation in currency exchange rates incurred during the period for translation of US dollars, which, throughout fiscal 2014 was significantly stronger compared to Canadian dollars than it was in fiscal 2013. In addition, New Israeli shekel strengthened in comparison to the Canadian dollar in fiscal 2014. Overall, the weakening Canadian dollar resulted in a much higher expense for the year.

Finance expenses (income) for the year ended December 31, 2014 was ($858) compared to $2,040 expense for the year ended December 31, 2013, a decrease of $2,898 or 142%. This is related to various interest charges and fees incurred during the comparative fiscal year.

Listing fees were $509,390 expense for the year ended December 31, 2014 compared to $nil for the year ended December 31, 2013, or 100% increase. This is related to Qualifying Transaction and RTO Listing expense in November 2014.

The Qualifying Transaction resulted in the amalgamation of TVI and Technical and constituted a reverse takeover of Technical and has been accounted for as a reverse takeover 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.

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	40,800
Fair value of agent warrants	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 share was determined based on the estimated fair value of common shares upon closing of the RTO transaction and concurrent financing.

Stock-based compensation was $490,780 for the year ended December 31, 2014 compared to $424,060 for the year ended December 31, 2013, an increase of $66,720 or 16%. This is related to the initial expensing of a tranche of options granted in the last fiscal year the additional expensing of new options granted in this fiscal year.

Income taxes were $9,302 for the year ended December 31, 2014 compared to $25,644 for the year ended December 31, 2013, a decrease of $16,342 or 64%. This decrease is related to the tax expenses for the year ended December 31, 2014 in Hemostemix Ltd. for the Israel lab operations compared to the previous year.

LIQUIDITY AND CAPITAL RESOURCES

For year ended December 31, 2014, there was a net cash outflow from operating activities of $3,134,459 compared to a net cash outflow of $1,107,229 for the year ended December 31, 2013, an increase of $2,207,230.

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

Increase in net loss for the year	(2,791,970)
Increase in Stock-based compensation	66,720
Increase in depreciation of fixed assets	6,164
Increase in listing fees	509,390
Change in other receivables and prepaid expenses	43,066
Change is HST receivable	(40,302)
Change in Accounts payable and accrued liabilities	218,087
Change in Income taxes payable	(38,385)
Increase in the net cash used for operations	(2,027,230)

As at December 31, 2014 the Company had working capital of $3,192,988 compared to working capital of $378,695 at December 31, 2013, a difference of $2,814,293. This increase in working capital is a result of;

1) An increase in cash of $2,954,288;
2) An increase in HST receivable of $79,742;
3) An increase in other receivables and prepaid expenses of $88,983;
4) A decrease in Income taxes payable of $10,827; offset by
5) An increase in accounts payable and accrued expenses of $319,547;

Outstanding Share Data

As at December 31, 2014, the number of outstanding shares was 65,178,839 (December 31, 2013 – 50,590,219). During the year ended December 31, 2014 the Company issued the following shares:

i) On March 3, 2014 the Company entered into share subscription agreements according to which the Company issued (1) 80,000 Ordinary shares at a price per share of $0.50, for an aggregate amount of $40,000; (2) 6,400 ordinary shares as finder's fee at a price per share of $0.50.

ii) In addition, the Company entered into five private placements between April and June 2014 and issued 6,325,500 shares at a price per share of $0.50 for gross proceeds of $3,162,750.

On November 10, 2014, concurrent with 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. In addition, 1,000,000 shares were issued upon the completion of the Amalgamation to shareholders of Technical Ventures RX Corp. (see Consolidation and presentation – RTO transaction above).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.

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

As at April 25, 2015 the number of shares outstanding was 65,517,119. See subsequent events notes 1, 4, 6, 8 and 9 which detail the issuance of 88,280 shares for the exercise of 88,280 Agent warrants and the issuance of 250,000 shares for the exercise of 250,000 stock options.

As at December 31, 2014, the Company had 5,780,000 share purchase options outstanding (December 31, 2013 – 4,660,000). During the year ended December 31, 2014, on August 28, 2014 the Company issued 1,020,000 options to board and management; and on November 10, 2014, 100,000 options were issued as a result of the Qualifying Transaction.

As at April 25, 2015, the number of outstanding options was 5,530,000 as a result of the exercise of 250,000 stock options subsequent to the end of the fiscal year.

As at December 31, 2014, the Company had a total of 1,522,438 share purchase warrants outstanding (December 31, 2013 – 402,318). In connection with five private placement transactions between April and June 2014 the Company issued 506,840 finders' warrants which are exercisable at $0.50 and expiring 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. 6,720 Agents warrants were exercised at December 31, 2014.

As at April 25, 2015 the number of outstanding warrants was 1,434,158 as a result of the exercise of 88,280 Agents warrants subsequent to the end of the fiscal year.

SEGMENTED INFORMATION

The Company had two geographical segments as at and for the years ended December 31, 2014 and 2013 respectively, comprising head office and general operations of Hemostemix Inc. in Canada and its wholly-owned subsidiary, Hemostemix Limited in Israel.

	Year ended December 31, 2014			Year ended December 31, 2013		
	Canada	**Israel**	**Total**	Canada	Israel	Total
Current assets	**3,680,174**	**64,517**	**3,744,691**	516,120	105,558	621,678
Total assets	**3,680,175**	**261,164**	**3,941,339**	516,514	300,334	816,848
Total liabilities	**414,628**	**137,075**	**551,703**	128,631	114,352	242,983
Depreciation	**394**	**31,424**	**31,818**	2,000	23,654	25,654
Total expenses	**3,200,960**	**1,122,207**	**4,323,167**	826,314	688,541	1,514,855
Income tax expense	**-**	**9,302**	**9,302**	-	25,644	25,644
Net and comprehensive income (loss)	**3,200,960**	**1,131,509**	**4,332,469**	826,314	714,185	1,540,499

SUBSEQUENT EVENTS AND NEWS

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

2. **January 12, 2015 - Hemostemix Inc. announced that Dr. Valentin Fulga is leaving the Company's management team where he was President and will continue to serve as a director.**

3. **January 28, 2015 - Hemostemix Names Gerald D. Brennan, Jr. to Board of Directors; Announces Management Title Change.**

Hemostemix Inc. announced that its board of directors appointed Gerald ("Jerry") D. Brennan, Jr. to the board effective immediately. Jerry has more than 20 years of executive management experience in the areas of corporate finance, legal, and general administration. He holds a BABS degree from Marquette University and a JD degree from University of Illinois.

Mr. Brennan was vice president of finance and administrative services and chief financial officer (CFO) at Vericel Corporation (formerly Aastrom Biosciences. He is currently a director of a private preclinical pharmaceutical company that develops treatments for Duchenne muscular dystrophy and other diseases. Prior to joining Vericel, Jerry served as director of new ventures at Great Lakes Chemical Corporation and CFO of Great Lakes Fine Chemical Division and Monsanto Pharma Tech. Before that, Jerry was CFO and chief operating officer (COO) of Capcom Coin-Op, Inc., and he served in various management positions at Tupperware North America, including general counsel and vice president of distributor operations and administration. He has also served previously as tax counsel at Premark and as a tax manager at Coopers & Lybrand.

Hemostemix also announced that Dr. Elmar Burchardt, CEO, assumed the additional title of president.

4. **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.**

5. **February 2, 2015 - Hemostemix Names Dr. Hardean E. Achneck as Vice President of Clinical Research and Operations.**

6. **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.**

7. **March 6, 2015 - Hemostemix Expands Clinical Trial for Treating Critical Limb Ischemia to the Peter Munk Cardiac Centre at Toronto General Hospital.**

The Company announced the expansion of its phase II clinical trial for critical limb ischemia to the Peter Munk Cardiac Centre at Toronto General Hospital. As one of the preeminent research centers in Canada, Toronto General Hospital brings a history of innovating cardiovascular therapies and extensive clinical expertise to this ongoing multicenter international trial.

8. **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.**

9. **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.**

10. **March 19, 2015 - Hemostemix Expands Clinical Trial for Critical Limb Ischemia (CLI) to Four Sites in South Africa, Treats First South African Participant**

Hemostemix announced the expansion of its phase II clinical trial for critical limb ischemia (CLI) to four sites in South Africa: Life Kinsgbury Hospital and Mediclinic Cape Gate in Cape Town, Netcare Sunninghill Hospital in Johannesburg, and Netcare Unitas Hospital in Pretoria. Operating under the same phase II protocol as Canadian hospitals in Toronto and Vancouver, the multicenter, international, double-blinded trial has enrolled and treated its first South African participant.

11. April 20, 2015 - Hemostemix to present at the 2015 Annual Meeting of the Clinical Trials Association in Israel

Hemostemix Inc. announced that its President and CEO, Dr. Elmar Burchardt, will present on clinical-trial strategies for critical limb ischemia (CLI) at the Annual Meeting of the Clinical Trials Association in Israel on April 28, 2015, at the David Intercontinental Hotel in Tel Aviv. Dr. Burchardt's presentation is entitled "Autologous Cell Therapy, Clinical Development of an Autologous Cell Therapy for Critical Limb Ischemia: Building on Past Successes and Lessons Learned.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 to the audited annual 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

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 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 audited consolidated financial statements:

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 (December 31, 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 (December 31, 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 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has established and continues to complement a system of disclosure controls and procedures and internal controls over financial reporting. This system is designed to provide reasonable assurance that material information relating to the issuer and its subsidiaries are available and reported to senior management and permits timely decisions regarding public disclosure. As of December 31, 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 year management continued to address, as required, steps to improve disclosure controls and procedures and internal controls over financial reporting. However, no specific changes to disclosure controls and procedures were made during the period. The Company recognizes this is an ongoing and dynamic process and continues to focus on internal controls related to financial reporting and disclosure controls and procedures and is committed to further improvements in the future.

RISKS AND UNCERTAINTIES

Possible Failure to Realize Anticipated Benefits of the Arrangement

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

Biotech Public Market Risks

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

Early Stage Development and Scientific Uncertainty

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

Additional Financing Requirements and Access to Capital

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

Government Regulations

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

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

Hazardous Materials and Environmental Matters

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

Patents and Proprietary Technology

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

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

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

Dependence on Collaborative Partners, Licensors and Others

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

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

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

Rapid Technological Change

The biotechnology and pharmaceutical industries are characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render Hemostemix proposed products or technologies noncompetitive, or that Hemostemix will keep pace with technological developments. Competitors have developed or are

developing technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the desired diagnostic or therapeutic effect as compared with products to be developed by Hemostemix, and could be more effective and less costly than the products to be developed by Hemostemix. In addition, alternative forms of medical treatment may be competitive with Hemostemix products.

Competition

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

Status of Healthcare Reimbursement

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

Potential Product Liability

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

Manufacturing

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

Reliance on Key Personnel

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

Lack of Product Revenues and History of Losses

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

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

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

Conflict of Interest

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

No Key Man Insurance

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

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

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

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

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