Hemostemix Inc. (formerly Theravitae Inc.)

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

For the six months ended June 30, 2015 and 2014 as at August 31, 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 six months ended June 30, 2015 and June 30, 2014, 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. These unaudited interim condensed consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars unless otherwise stated. These interim condensed consolidated financial statements do not contain all disclosures required by IFRS for annual financial statements, and, accordingly, should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2014. All financial analysis, data and information set out in this MD&A are unaudited. These unaudited interim condensed 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.

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

Consolidation and Presentation

RTO Transaction

During fiscal 2014, 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 constituted 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 unaudited interim condensed consolidated financial statements of the Company comprise the accounts of Hemostemix Inc., (formerly Theravitae Inc.), Hemostemix Ltd, and Kwalata Trading, the Company's wholly-owned subsidiaries. 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 unaudited interim condensed 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

The following table provides selected consolidated financial information for the Company as at and for the six months ended June 30, 2015 and June 30, 2014.

	As at June 30, 2015 Total $	**As at June 30, 2014 Total $**
Current assets	**2,034,458**	2,236,189
Total assets	**2,228,075**	2,422,984
Total liabilities	**595,565**	224,376
	Six months ended June 30, 2015 Total $	**Six months ended June 30, 2014 Total $**
Total expenses	**1,833,650**	1,318,409
Net and comprehensive loss	**(1,846,266)**	(1,327,967)
Basic and diluted loss per share	**(0.03)**	(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 unaudited interim condensed consolidated financial statements and notes to the financial statements for the six months ended June 30, 2015 and 2014.

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. While Hemostemix evaluates its manufacturing options as demand for product increases, this facility can supply product for clinical trials. 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 for the purposes of providing the product for Hemostemix phase 2 clinical trials as approved by the regulatory authorities in Canada, South Africa, and the United States of America.

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 June 30, 2015, 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 fiscal 2014. The Company has treated 15 patients.

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.

In August 2015 Hemostemix received clearance from the FDA to expand its clinical trial activities to the United States. Hemostemix has started the necessary preparations to enroll participants in centers in the United States. 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.

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. In July 2015, Hemostemix announced the intent to form a strategic alliance with Hemostemix Asia, Inc., based in Taipei, Taiwan, to treat patients through its ongoing international phase 2 clinical trials for critical limb ischemia.

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, News and Milestones during the six months ended June 30, 2015

1. 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.

2. January 28, 2015 - Hemostemix Names Gerald D. Brennan, Jr. to Board of Directors; Announces Management Title Change. Hemostemix also announced that Dr. Elmar Burchardt, CEO, assumed the additional title of president.

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

4. 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.

5. 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.

6. April 20, 2015 - Hemostemix presentsat the 2015 Annual Meeting of the Clinical Trials Association in Israel

Hemostemix Inc. announced that its President and CEO, Dr. Elmar Burchardt, presents 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.

7. May 11, 2015 - Hemostemix retains Stonegate Capital Partners for Investor Relations

Hemostemix Inc. announced that it has retained Stonegate Capital Partners Inc. to assist with strategic investor relations services in the US institutional investment community. Stonegate provides a full range of services to help a select group of public company clients build awareness, manage investor expectations, and broaden and strengthen investor relationships.

8. May 19, 2015 - Hemostemix receives notice of allowance for additional US Patent on ACP-01 covering autologous cell therapy for critical limb ischemia

The Company announced that it received a Notice of Allowance from the U.S. Patent and Trademark Office (USPTO) for patent application 13/970,807 entitled "Regulating Stem Cells." The patent covers a method for generating therapeutic cell products, including the company's lead product ACP-01, from a simple draw of peripheral blood, which is the flowing, circulating blood in the human body. The Hemostemix technology enables proprietary cells grown from a patient's blood to

be injected into that patient's diseased tissue to support the formation of new blood vessels.

This patent, the third within the Hemostemix intellectual property estate that will be issued by the USPTO, is part of a broad technology platform now protected by more than 40 patents issued in major markets, including the United States, the European Union, Japan, and China. The company continues to actively file and prosecute patents around all aspects of its technology in support of its global commercialization plans.

9. June 15, 2015 - Hemostemix presents in Italy at the 2015 Gordon Research Conference on Assisted Circulation

The Company announced that its vice president of clinical research and operations, Hardean E. Achneck, MD, is an invited speaker at the Gordon Research Conference on Assisted Circulation held June 14-19, 2015, in Lucca, Italy. His presentation, entitled "Creating Biological Blood Contacting Surfaces," explores a potential autologous cell therapy to reduce blood clotting in patients with an artificial heart or a heart-supporting pump.

10. June 16, 2015 - Hemostemix Names Dr. Rahul Sarugaser as Vice President of Business and Corporate Development

The Company announced the appointment of Rahul Sarugaser, PhD, to the position of vice president of business and corporate development. Prior to joining Hemostemix, Dr. Sarugaser was director of business development at the Centre for Commercialization of Regenerative Medicine (CCRM), which brings together visionary business leadership and unique technology development platforms to commercialize promising discoveries in stem cell science through a capital-efficient, collaborative model. He expanded CCRM's industry consortium from 13 to 45 companies and secured co-development partnerships with several multinational industry partners and small companies. Before joining CCRM, he was an investment manager with the Toronto-based MaRS Investment Accelerator Fund, evaluating life-science companies for financing from seed stage through Series B. Prior to that, he worked in strategic marketing at GE Healthcare's headquarters in the UK, identifying investment opportunities for GE's cell technologies portfolio. Dr. Sarugaser holds a PhD in biomedical engineering from the University of Toronto, where he received the Poul B. Madsen award for excellence in applied biomedical engineering. He subsequently earned an MBA from the University of Oxford. Dr. Sarugaser has published and presented in the stem-cell field and co-invented two patents that were licensed to Tissue Regeneration Therapeutics in Toronto.

11. June 17, 2015 - Hemostemix and Ludwig Boltzmann Institute for Experimental and Clinical Traumatology Enter Into Research Collaboration Agreement to Develop Hemostemix Regenerative Technology

The Company announced that it has entered into a research collaboration agreement with the Austria-based Ludwig Boltzmann Institute for Experimental and Clinical Traumatology ("LBI") to explore applications of Hemostemix technology for restoring blood supply. LBI is an internationally renowned organization dedicated to research in the fields of tissue engineering, stem cells, and regenerative medicine.

12. June 18, 2015 - Hemostemix Prepares Investigational New Drug Application for Review by U.S. Food and Drug Administration for Company's ACP-01 Formulation to Treat Critical Limb Ischemia

The Company announced that it has prepared an Investigational New Drug (IND) application for review by the U.S. Food and Drug Administration (FDA) for the Company's lead product ACP-01, a potential breakthrough stem-cell therapy for critical limb ischemia (CLI). The time frame for FDA review is approximately 30 days.

13. June 25, 2015 - Hemostemix Enrolls Fifth Participant at Vancouver General Hospital in International Phase-2 Clinical Trial for Critical Limb Ischemia

The Company announced a milestone in its international phase-2 clinical trial for critical limb ischemia (CLI): treatment at Vancouver General Hospital of the site's fifth participant. The double-blind, randomized, placebo-controlled trial currently recruits participants at six sites in Canada and South Africa under the same clinical protocol and to date has enrolled 15 out of approximately 100 participants with CLI. The trial studies the efficacy of the company's lead product, ACP-01, which uses angiogenic progenitor cells to combat the life-threatening complications of CLI. These proprietary cells are grown from a patient's own blood and, once injected into his or her diseased tissue, are able to support the formation of new blood vessels.

RESULTS OF OPERATIONS

	Six month period ended June 30, 2015	Six month period ended June 30, 2014	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
Research and development salaries and related benefits	**320,380**	308,040	12,340	4%
Research and development consulting fees	**394,247**	442,192	(47,945)	-11%
Research and development expenses	**40,621**	34,029	6,592	19%
Consultant fees	**501,264**	172,648	328,616	190%
Lease and office maintenance	**243,729**	106,915	136,814	128%
Professional fees	**261,201**	195,453	65,748	34%
Travel expenses	**55,479**	22,645	32,834	145%
Depreciation	**17,777**	15,302	2,475	16%
Foreign exchange loss (gain)	**(3,430)**	14,725	(18,155)	-123%
Finance expenses (income)	**2,382**	6,460	(4,078)	-63%
Net and comprehensive loss for the period before taxes	**(1,833,650)**	(1,318,409)	(515,241)	39%
Income tax expense	**12,616**	9,558	3,058	32%
Net and comprehensive loss for the period	**(1,846,266)**	(1,327,967)	(518,299)	39%

Analysis of expenses

Research and development salaries and related benefits for the six months ended June 30, 2015 were $320,380 compared to $308,040 for the six months ended June 30, 2014, a small increase of $12,340 or 4%. Throughout the first half of 2015, the Company continued to build its R&D team in order to support additional work including the research and development activity primarily related to the increase in clinical trial patients.

Research and development consulting fees for the six months ended June 30, 2015 were $394,247 compared to $442,192 for the six months ended June 30, 2014, a decrease of 11%. During the latter half of fiscal 2014 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 which are skewed to the beginning of the contract which accounts for the slightly lower costs in the 6 month period this fiscal year. These R&D consulting fees will continue to be a main expenditure in achieving the Company's objectives through fiscal 2015 and beyond.

Research and development expenses for the six months ended June 30, 2015 were $40,621 compared to $34,029 during the six months ended June 30, 2014 representing an increase of 19%. This is increase is due to minor fluctuations in expenses associated with research and development and clinical trial activity

Consultant's fees for the six months ended June 30, 2015 were $501,264 compared to $172,648 for the six months ended June 30, 2014 representing an increase of $328,616 or 190%. This increase is the result of additional operational management, marketing and business development activity carried out primarily by officers and directors of the Company to further the progress of its technology. In particular, a key senior management person was added during the second half of fiscal 2014 in order to facilitate various initiatives including investor presentations and financing activities, business conference attendance and presentations and strategic planning. The positions of chief financial officer and chief executive officer where added in the second half of fiscal 2014, both on contractual arrangements. In addition, a Vice President of Clinical Research and Operations was added in February 2015 and a Vice President of Business and Corporate Development was added in June 2015.

Lease and office maintenance for the six months ended June 30, 2015 was $243,729 compared to $106,915 for the six months ended June 30, 2014 representing an increase of $136,814 or 128%. 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.

Professional fees for the six months ended June 30, 2015 were $261,201 compared to $195,453 for the six months ended June 30, 2014 representing an increase of $65,748 or 34%. The increase resulted from professional fees in both Israel and Canada related to accounting, regulatory and general legal matters related to ongoing public company matters, both of which were not present in the first half of last year.

Travel expenses for the six months ended June 30, 2015 were $55,479 compared to $22,645 for the six months ended June 30, 2014, an increase of $32,834 or 145%. This increase is primarily due to various global initiatives underway by key management staff to promote and convey our technology and progress across industry and investment channels. In addition, our team has increased its liaison with our manufacturing in Israel with the increase in clinical trials.

Depreciation was $17,777 for the six months ended June 30, 2015 compared to $15,302 for the six months ended June 30, 2014 and increase of $2,475 or 16%. This increase is predominantly related to office furniture and equipment additions from last fiscal year that is being depreciated in 2015.

Foreign exchange (gain) loss for the six months ended June 30, 2015 was a gain of $3,430 compared to a loss of $14,725 for the period ended June 30, 2014, an improvement of $18,155 or 123%. As US dollar expenditures and US exchanges rates change from period to period, this expense will be affected depending on the level of expenditures and magnitude of exchange rate fluctuation.

Finance expenses (income) for the six months ended June 30, 2015 was $2,382 compared to $6,460 expense for the six months ended June 30, 2014, a decrease of $4,078 or 63%. This is related to lower interest charges and fees incurred during the period.

Income taxes were $12,616 for the six months ended June 30, 2015 compared to $9,558 for the six months ended June 30, 2014, an increase of $3,058 or 32%. This increase is related to higher tax expenses in Hemostemix Ltd. for the Israel lab operations compared to the previous period.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2015, there was a net cash outflow from operating activities of $1,637,275 compared to a net cash outflow of $1,474,020 for the six month period ended June 30, 2014, an increase of $163,255.

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

Increase in net loss for the period	(518,299)
Increase in depreciation of fixed assets	2,475
Change in other receivables and prepaid expenses	37,159
Change is HST receivable	252,946
Change in Accounts payable and accrued liabilities	72,103
Change in Income taxes payable	(9,639)
Increase in the net cash used for operations	(163,255)

As at June 30, 2015 the Company had working capital of $1,438,893 compared to working capital of $3,192,988 at December 31, 2014, a difference of $1,754,095. This decrease in working capital is a result of;

1) An decrease in cash of $1,558,296;
2) An decrease in HST receivable of $223,158;
3) An increase in other receivables and prepaid expenses of $75,801;
4) A decrease in income taxes payable of $18,866;
5) An increase in accounts payable and accrued expenses of $62,723;

Outstanding Share Data

As at June 30, 2015, the number of outstanding shares was 65,637,119 (December 31, 2014 – 65,178,839). During the six months ended June 30, 2015 the following share transactions occurred:

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 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 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 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 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.

On May 24, 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 May 28, 2015, 20,000 Agent warrants were exercised at $0.50 for proceeds of $10,000 resulting in the issuance of 20,000 common shares.

An amount of $31,850 representing the fair value of the share options exercised was transferred from contributed surplus to share capital.

As at August 28, 2015 the number of shares outstanding was 65,802,119.

As at June 30, 2015, the Company had 5,430,000 share purchase options outstanding (December 31, 2014 – 5,780,000). During the six months ended June 30, 2015, 350,000 stock options were exercised for proceeds of $35,000.

As at August 28, 2015, the number of outstanding options was 5,305,000.

As at June 30, 2015, the Company had a total of 1,414,158 share purchase warrants outstanding (December 31, 2014 – 1,522,438). Each warrant entitles the holder to acquire an additional common share at $0.50 per share. During the six months ended June 30, 2015, 108,280 Agents warrants were exercised for proceeds of $54,140.

As at August 28, 2015 the number of outstanding warrants was 1,394,158.

SEGMENTED INFORMATION

The Company has two geographical segments as at and for the six months ended June 30, 2015 and 2014 comprising head office and general operations of Hemostemix Inc. in Canada and its wholly-owned subsidiary, Hemostemix Ltd. in Israel.

	Six months ended June 30, 2015			Six months ended June 30, 2014		
	Canada	**Israel**	**Total**	Canada	Israel	Total
Current assets	**1,667,254**	**367,204**	**2,034,458**	2,046,898	189,291	2,236,189
Total assets	**1,667,254**	**560,821**	**2,228,075**	2,046,898	376,086	2,422,984
Total liabilities	**425,946**	**169,619**	**595,565**	119,932	104,444	224,376
Depreciation	**-**	**17,777**	**17,777**	396	14,906	15,302
Total expenses	**1,237,314**	**596,336**	**1,833,650**	824,631	493,778	1,318,409
Income tax expense	**-**	**12,616**	**12,616**	-	9,558	9,558
Net and comprehensive income (loss)	**1,237,314**	**608,952**	**1,846,266**	824,631	503,336	1,327,967

SUBSEQUENT EVENTS AND NEWS

1. July 7, 2015 - Hemostemix Posts Corporate Presentation on Company Website

The Company announced that it has posted a corporate presentation for investors and other interested parties on its website under the "Corporate & Investors" tab at hemostemix.com. The presentation provides an overview of the Company's technology platform for treating critical limb ischemia and other reduced-blood-flow diseases, profiles of the industry-experienced management team, and details of the current clinical program, including timelines for product development.

2. July 9, 2015 - 125,000 Share purchase options were exercised at $0.10 for proceeds of $12,500 resulting in the issuance of 125,000 common share and 40,000 Agent warrants were exercised at $0.50 for proceeds of $20,000 resulting in the issuance of 40,000 common shares.

3. July 23, 2015 - Hemostemix Forms Strategic Alliance in Asia

The Company announced that it has formed a strategic alliance by way of a binding term sheet with Hemostemix Asia, Inc. ("HEMA"), a private, independent company based in Taipei, Taiwan. The agreement covers a manufacturing and commercial license to HEMA of the Hemostemix ACP-01 technology for treating critical limb ischemia (CLI) patients in Taiwan, China, and South Korea. HEMA will fund and contribute up to 20 participants from three to five clinical sites in Taiwan to the ongoing Hemostemix phase-2 clinical trial for treating CLI. HEMA will also establish a manufacturing hub in Taiwan to serve the Asian market upon successful commercialization of ACP-01. As part of the licensing agreement, Hemostemix will be an equity partner with 35% ownership in HEMA. Both parties anticipate a definitive agreement to be completed within 30 days.

4. July 27, 2015 - Hemostemix Enrolls 20th Participant and Treats 15th in International Clinical Trial for Critical Limb Ischemia

The Company announced another milestone in its international phase-2 clinical trial for critical limb ischemia (CLI): enrollment of its 20th patient. The double-blind, randomized, placebo-controlled trial currently recruits participants at six sites in Canada and South Africa under the same clinical protocol and will ultimately enroll approximately 100 participants with CLI. The trial studies the efficacy of the company's lead product, ACP-01, which uses angiogenic progenitor cells to combat the life-threatening complications of CLI. These proprietary cells are grown from a patient's own blood and, once injected into his or her diseased tissue, are able to support the formation of new blood vessels.

5. August 10, 2015 - Hemostemix Receives FDA Clearance for Phase-2 Clinical Trial of Lead Product ACP-01 in the United States

The Company announced that the Food and Drug Administration (FDA) has cleared the Company's Investigational New Drug (IND) application to expand its trial for critical limb ischemia (CLI) to enroll patients at clinical sites across the United States. This is a key milestone in its international phase-2 double-blind, randomized, placebo-controlled clinical trial.

The ongoing phase-2 clinical trial investigates the safety and efficacy of the company's lead product, ACP-01, which uses angiogenic progenitor cells to combat the life-threatening complications of CLI. These proprietary cells are grown from a patient's own blood and, once injected into his or her diseased tissue, are able to support the formation of new blood vessels.

The trial has enrolled 20 of its target 100 participants to date.

6. August 20, 2015 - Hemostemix Holds First Meeting of Data Safety Monitoring Board (DSMB)

The Company announced the first meeting of its Data Safety Monitoring Board (DSMB). The DSMB is comprised of independent experts who oversee the safety and conduct of the Hemostemix trial.

Experts on the Hemostemix DSMB include:

• Armand Keating, MD, FRCPC, director of the Cell Therapy Program at the Philip S. Orsino Facility for Cell Therapy and professor of medicine at the Princess Margaret Cancer Centre, University of Toronto, Canada

• Richard McLain, biostatistician at PFP Statistical Consulting, LLC, Detroit, Michigan, USA (previously 20-year associate director of Pfizer Global Research & Development, Ann Arbor, Michigan)

• Anthony Comerota, MD, FACS, FACC, director of the Jobst Vascular Institute at ProMedica Toledo Hospital, Toledo, Ohio, USA .

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2014 for a detailed description of our significant accounting policies which have been applied consistently to the June 30, 2015 interim condensed consolidated financial statements.

Standard issued and not yet adopted

IFRS 9, Financial Instruments

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

IFRS 15 - Revenue from Contracts with Customers

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

RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions are conducted on the terms and conditions agreed to by the related parties. It is the Company's policy to conduct all transactions and settle all balances with related parties on market terms and conditions. In management's opinion, these transactions were in the normal course of operations and were recorded at the exchange value which was the amount of consideration established and agreed to by the related parties.

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

During the six months ended June 30, 2015, the Company incurred $210,562 in consulting fees to officers and directors (June 30, 2014 - $88,332).

As at June 30, 2015, the Company has $43,008 in accounts payable and accrued liabilities owing to these directors and officers (December 31, 2014 - $35,189).

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 June 30, 2015, 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 first half of 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 labeling.

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.