
HEMOSTEMIX INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024
(EXPRESSED IN CANADIAN DOLLARS)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Hemostemix Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hemostemix Inc. (the Company or Hemostemix), which comprise the consolidated statements of financial position as at December 31, 2025, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates the Company incurred a net loss of \$4,713,931 during the year ended December 31, 2025. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2024, were audited by another auditor, who expressed an unmodified opinion on those statements on April 29, 2025.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Emphasis of Matter - Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matters to be communicated in our report.

Classification and Measurement – ACP-01 Therapeutic Convertible Debentures

Description of the matter

As described in Note 6(c) to the consolidated financial statements, during the year ended December 31, 2025, the Company issued unsecured ACP-01 Therapeutic Convertible Debentures (TCD) totaling US\$517,230. The accounting for these instruments requires judgment in determining their classification under *IAS 32 Financial Instruments: Presentation* and their measurement under *IFRS 9 Financial Instruments*. The TCDs are measured at fair value through profit or loss, which involves the use of valuation techniques with unobservable inputs.

Why the matter is a key audit matter

- Significant judgment is required to evaluate the contractual features of the TCDs and determine their classification under IAS 32.
- There is estimation uncertainty in determining fair value under IFRS 9, including the use of unobservable inputs.
- Required experts with specialized knowledge; management's valuation specialist and auditors' valuation specialists were involved in assessing the fair value measurement.
- The TCD balance is material to the consolidated financial statements.

How the matter was addressed in the audit

The following were the primary procedures we performed to address this key audit matter:

- Assessing the classification of the TCDs by evaluating the contractual terms against the requirements of IAS 32.
- Evaluating the appropriateness of the measurement basis under IFRS 9, including whether measurement at fair value through profit or loss is appropriate given the instruments' features.
- Assessing the competence, capabilities and objectivity of management's valuation specialist.
- With the assistance of auditor's valuation specialists, evaluating the valuation methodology put forth by management and testing key assumptions and inputs used in determining fair value; notably corroborating to independent sources and overall reasonableness;
- Testing the mathematical accuracy of the valuation model, including performing independent recalculations where appropriate.
- Evaluating the sensitivity of the fair value to changes in key assumptions.
- Evaluating the adequacy of the related disclosures in the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting
- from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 30, 2026

Hemostemix Inc.

Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

	As at December 31, 2025	As at December 31, 2024
ASSETS		
Current Assets		
Cash	\$ 682,117	\$ 705,700
Subscriptions receivable	29,210	200,000
HST/GST receivable	36,857	29,604
Prepaid expenses	39,078	56,475
Marketable securities (note 4)	59,603	
Total current assets	846,865	991,779
Non-current assets		
Equipment (note 6)	37	83
Intangible assets (note 5)	1	1
Total assets	\$ 846,903	\$ 991,863
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (note 14)	\$ 1,729,948	\$ 2,772,377
Total current liabilities	1,729,948	2,772,377
Non-current liabilities		
Debentures (note 7)	3,602,591	4,936,716
Deferred income tax payable (note 11)	486,921	486,921
Total liabilities	5,819,460	8,196,014
Shareholders' Deficiency		
Share capital (note 8)	48,382,420	43,917,274
Warrants (note 9)	2,580,764	1,538,381
Contributed surplus	14,678,977	13,221,905
Accumulated other comprehensive loss	(19,076)	
Deficit	(70,595,642)	(65,881,711)
Total Shareholders' Deficiency	(4,972,557)	(7,204,151)
Total Liabilities and Shareholders' Deficiency	\$ 846,903	\$ 991,863

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

Incorporation, nature of business and going concern (note 1)

Commitments and contingencies (note 13)

Subsequent event (note 16)

Approved on behalf of the Board:

"Peter Lacey", Director, Chair of Audit Committee

"Thomas Smeenk", Director

Hemostemix Inc.**Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)**

	Year Ended December 31, 2025	Year Ended December 31, 2024
Operating expenses		
Research and development	\$ 2,486,644	\$ 2,972
Consulting and salaries (note 14)	657,708	1,003,802
Stock-based compensation (notes 10 and 14)	1,132,176	330,983
Marketing and office expenses (note 14)	150,474	107,422
Professional fees	623,980	447,008
Investor relations	366,593	8,424
Gain on debt settlement (note 14)	(1,485,729)	-
Unrealized loss on investments (note 7)	113,654	-
Travel	215,244	77,984
Foreign exchange loss	31,280	12,544
Finance expense (notes 7 and 12)	560,206	625,163
Derecognition of payables	(138,345)	-
Depreciation expense (note 6)	46	100
Net Loss from operations for the year	(4,713,931)	(2,616,402)
Other comprehensive loss		
Loss on currency translation	(19,076)	-
Net loss and comprehensive loss for the year	\$ (4,733,007)	\$ (2,616,402)
Basic and diluted net loss and comprehensive loss per share	\$ (0.029)	\$ (0.028)
Weighted average number of common shares outstanding - basic and diluted	163,436,112	95,058,881

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

Hemostemix Inc.

Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Year Ended December 31, 2025	Year Ended December 31, 2024
Operating activities		
Net loss for the year	\$ (4,713,931)	\$ (2,616,402)
Items not affecting cash:		
Stock-based compensation (note 10 and 14)	1,132,176	330,983
Research and development expenses settled in shares	400,000	-
Finance expense (note 12)	474,897	615,213
Depreciation expense (note 6)	46	100
Foreign exchange loss	31,280	-
Unrealized loss on investments (note 7)	133,321	-
Realized gain on debt settled through shares (note 14)	(1,642,457)	-
Changes in non-cash working capital items:		
Subscriptions receivable	170,790	(200,000)
Prepaid expense	17,397	76,631
HST / GST receivable	(7,253)	(4,545)
Accounts payable and accrued liabilities	(531,248)	(104,192)
Net cash used in operating activities	(4,534,982)	(1,902,212)
Investing activities		
Purchase of investments	(145,884)	-
Net cash used in investing activities	(145,884)	-
Financing activities		
Proceeds from private placement, net of issue cost (note 8)	5,002,486	2,452,496
Exercise of warrants (note 9)	142,412	-
Exercise of options	12,600	-
Repayment of convertible debenture (note 7)	(1,250,000)	-
Proceeds from convertible debenture, net of costs	749,785	-
Net cash provided by financing activities	4,657,283	2,452,496
Net change in cash	(23,583)	550,284
Cash, beginning of year	705,700	155,416
Cash, end of year	\$ 682,117	\$ 705,700

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

Hemostemix Inc.

Consolidated Statements of Changes in Deficiency

(Expressed in Canadian Dollars)

	Share Capital		Warrants	Accumulated other Contributed comprehensive		Deficit	Total
	Number	Amount		Surplus	loss		
Balance, December 31, 2023	87,122,318	\$ 42,481,424	\$ 1,487,187	\$ 11,925,470	\$ -	\$ (63,265,309)	\$ (7,371,228)
Issuance of common shares in private placement, net of issuance costs (note 8)	53,519,635	2,452,496	-	-	-	-	2,452,496
Issuance of warrants, related to private placement (note 9)	-	(1,016,646)	1,016,646	-	-	-	-
Stock-based compensation (note 10)	-	-	-	330,983	-	-	330,983
Expiry of warrants	-	-	(965,452)	965,452	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	(2,616,402)	(2,616,402)
Balance, December 31, 2024	140,641,953	\$ 43,917,274	\$ 1,538,381	\$ 13,221,905	\$ -	\$ (65,881,711)	\$ (7,204,151)
Balance, December 31, 2024	140,641,953	\$ 43,917,274	\$ 1,538,381	\$ 13,221,905	\$ -	\$ (65,881,711)	\$ (7,204,151)
Issuance of common shares in private placement, net of issuance costs (note 8)	46,503,693	3,519,196	1,478,708	-	-	-	4,997,904
Exercise of warrants (note 9)	1,842,260	262,245	(120,668)	-	-	-	141,577
Exercise of options	180,000	25,159	-	(12,559)	-	-	12,600
Common shares issued for debt settlement	6,085,461	658,546	-	-	-	-	658,546
Issuance of warrants - debentures issued, net of issuance costs (note 7)	-	-	21,798	-	-	-	21,798
Stock-based compensation (note 10)	-	-	-	1,132,176	-	-	1,132,176
Expiry of warrants	-	-	(337,455)	337,455	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(19,076)	(4,713,931)	(4,733,007)
Balance, December 31, 2025	195,253,367	\$ 48,382,420	\$ 2,580,764	\$ 14,678,977	\$ (19,076)	\$ (70,595,642)	\$ (4,972,557)

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

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

1. Incorporation, Nature of Business and Going Concern

Hemostemix Inc. ("Hemostemix" or "the Company") is a clinical stage biotechnology company whose principal business is to develop, manufacture and commercialize blood-derived stem cell therapies for medical conditions not adequately addressed by current treatments. Formed in 2002, and November 2014 under the Business Corporations Act (Alberta), the Company began trading on the TSX Venture Exchange on November 27, 2014. The Company's head office is located at Suite 1150, 707-7th Ave SW, Calgary, AB T2P 3H6.

The common shares of Hemostemix are listed on the TSX Venture Exchange under the symbol "HEM", Borse Frankfurt under the symbol "2VFO" and OTCQB under the symbol "HMTXF".

Hemostemix Inc. has five wholly-owned subsidiaries. Kwalata Trading Limited ("Kwalata"), incorporated under the laws of Cyprus, was established to own intellectual property ("IP"). On October 1, 2018, previous management structured the sale of the IP from Kwalata to Hemostemix and planned the wind up of Kwalata. This transaction was not completed and Kwalata remains a wholly owned subsidiary of Hemostemix Inc., and continues as an IP holding company. Hemostemix Ltd., another wholly owned subsidiary, was incorporated under the laws of Israel to conduct manufacturing and perform research and development. Effective October 1, 2017, Hemostemix Ltd. ceased operations. On June 14, 2022, the Company incorporated PreCerv Inc. ("PreCerv") as a wholly owned subsidiary. PreCerv obtained a global field of use license to NCP-01 and its autologous stem cell technologies from Hemostemix. On August 15, 2023, the Company incorporated Hemostemix Quebec Inc. as a wholly-owned subsidiary. On August 22, 2024, the Company incorporated HEM PR Inc. as a wholly-owned subsidiary in Puerto Rico.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Realization values may be substantially different from carrying values as shown and the financial statements do not given effect to adjustments that would be necessary to the carrying values and the classification of assets and liabilities should the Company be unable to continue operating as a going concern

The Company incurred a net loss of \$4,713,931 for the year ended December 31, 2025, (December 31, 2024 - net loss of \$2,616,402) and had accumulated deficit of \$70,595,642 (December 31, 2024 - \$65,881,711). The Company used cash in operating activities of \$4,534,982 (December 31, 2024 -\$1,902,212) and, as of that date the Company's current liabilities exceeded their current assets by \$883,083 (December 31, 2024 - \$1,780,598). The Company's biotechnology is in the final-stage of the research of its main product ACP-01; as a result, the Company has not produced revenue nor achieved operational profitability and positive cash flows. The Company's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments and on achieving profitable commercial operations.

These conditions give rise to material uncertainty that raises significant doubt about the Company's ability to continue operating as a going concern. The consolidated financial statements do not include any adjustments to reflect any events since December 31, 2025 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this uncertainty. The Company's ability to continue to operate is dependent upon continuing financial support.

These consolidated financial statements were approved by the Company's Board of Directors on April 29, 2026.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

2. Material Accounting Policy

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRIC® Interpretations of the IFRS Interpretations Committee.

Basis of presentation

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

Consolidated financial statements

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Kwalata Trading Limited, Hemostemix Ltd., PreCerv Inc., Hemostemix Quebec Inc. and Hemostemix PR Inc.. The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is determined when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Effective October 1, 2017, Hemostemix Ltd. ceased operations in Israel and moved its clinical trial activities to North America.

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

Functional and presentation currency

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

Segment reporting

The Company's CEO is identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company's management system. The Company has determined that it only has one operating segment located in Canada.

Use of estimates and judgments

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

Hemostemix Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

Use of estimates and judgments (continued)

1. The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, forfeiture rate, volatility and dividend yield and making assumptions about them which are disclosed in Note 10.
2. Certain convertible debentures are accounted for as compound financial instruments, which requires estimation of the fair value of a similar liability without a conversion feature. Significant judgment is also required when accounting for the redemption, conversion or modification of these instruments.

The classification of certain convertible debentures, including the Company's ACP-01 Therapeutic Convertible Debentures ("TCDs"), as financial liabilities in their entirety requires significant judgment in evaluating the instruments' contractual features in accordance with IAS 32.

In addition, the determination of fair value for these instruments requires the use of valuation techniques that incorporate significant unobservable inputs. These assumptions are inherently uncertain and changes in them could have a material impact on the amounts recognized in profit or loss.

Going concern

The Company makes significant judgments with respect to uncertainties in the ability of the Company to continue as a going concern based on estimates of future operations. The ability of the Company to continue as a going concern is dependent on the successful generation of revenue and financing

Development costs

Management monitors the progress of green ammonia technologies. Significant judgment is required to distinguish between the research and development phases. Development costs are recognized as an asset when the following criteria are met: (i) technical feasibility; (ii) management's intention to complete the project; (iii) the ability to use or sell; (iv) the ability to generate future economic benefits; (v) availability of technical and financial resources; (vi) ability to measure the expenditures reliably. Research costs are expensed as incurred. Management also monitors whether the recognition requirements for development assets continue to be met and whether there are any indicators that capitalized costs may be impaired.

Valuation of shares issued for non-cash consideration

The Company applies judgments with respect to the fair value assigned to shares issued for non-cash consideration.

Financial Instruments

Financial instruments of the Company consist of cash, subscriptions receivable, marketable securities, accounts payable and accrued liabilities and convertible debentures.

Classification and measurement

Financial Assets

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statements of loss and comprehensive loss.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

Classification and measurement (continued):

Financial Assets (continued):

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the consolidated statements of loss and comprehensive loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of loss and comprehensive loss.

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in the consolidated statements of loss and comprehensive loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the consolidated statements of loss and comprehensive loss and recognized in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are items in the consolidated statements of loss and comprehensive loss.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through the consolidated statements of loss and comprehensive loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in the consolidated statements of loss and comprehensive loss and presented net within other gains or losses in the period in which it arises. The company's marketable securities are measured at FVTPL.

Our financial assets include cash and other receivables. The classification and measurement of these financial assets are at amortized cost, as these assets are held within our business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'solely payments of principal and interest' ("SPPI") criterion.

Financial Liabilities

Financial liabilities are initially measured at fair value and are subsequently measured at amortized cost or fair value through profit or loss, depending on their classification under IFRS 9. The Company's accounts payable and accrued liabilities and old convertible debentures are measured at amortized cost. The new convertible debentures entered into in 2025 are a derivative at fair value.

The classification of certain convertible debentures, including the Company's ACP-01 Therapeutic Convertible Debentures ("TCDs"), as financial liabilities in their entirety requires significant judgment in evaluating the instruments' contractual features in accordance with IAS 32. In addition, the determination of fair value for these instruments requires the use of valuation techniques under IFRS 13 that incorporate significant unobservable inputs. These assumptions are inherently uncertain and changes in them could have a material impact on the amounts recognized in profit or loss.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

2. Material Accounting Policy (Continued)

Financial Instruments (continued)

Classification and measurement (continued):

Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debt that can be converted to share capital at the option of the Company for the convertible debenture issued in 2021, and at the option of the holder for the convertible debenture issued in 2022, and the number of shares to be issued does not vary with changes in the fair value.

The liability component of compound financial instruments is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, if any, is recognized initially at the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any direct attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amount.

Subsequent to initial recognition, the liability component of compound financial instruments is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not measured again subsequent to initial recognition. Interest, dividends, losses and gains relating to financial liabilities are recognized in the consolidated statements of loss and comprehensive loss.

Impairment

Under IFRS 9, accounting for impairment losses for financial assets uses a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires that the Company record a loss allowance for ECLs on all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Cash and cash equivalents

Cash and cash equivalents is defined as cash plus highly liquid assets with an original term to maturity of three months or less at the date of issuance.

Research and development costs

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

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

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

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

2. Material Accounting Policy (Continued)

Provisions

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

Share-based compensation

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

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

Income tax

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

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

Deferred taxes

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

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

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

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

2. Material Accounting Policy (Continued)

Deferred taxes (continued)

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

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

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

Loss per share

Loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the period. The diluted loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The basic and diluted loss per share are the same as there are no instruments that have a dilutive effect on earnings. For the periods presented, the potentially dilutive effect of stock options, warrants and the convertible instruments have proven to be anti-dilutive.

Equipment

Equipment is recorded at cost less accumulated depreciation and impairment, if any. Depreciation is calculated on a declining balance basis at 55% per annum for computers.

Intangible assets

Intangible assets consist of costs incurred to acquire license, patents and unpatented technology. Intangible assets are recorded at cost less accumulated amortization and accumulated impairment. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the asset.

Convertible Debentures

Certain convertible debentures are accounted for as compound financial instruments with separable liability and equity components. The debt component is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for debt instruments of similar term and risk assuming no conversion feature. The debt component is deducted from the total carrying value of the compound instrument to derive the carrying amount allocated to the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized as finance costs in the consolidated statements of loss and comprehensive loss.

Other convertible debentures, including the Company's ACP-01 Therapeutic Convertible Debentures ("TCDs"), are classified as financial liabilities in their entirety in accordance with IAS 32, as their contractual terms include settlement features that preclude equity classification.

These instruments are designated at fair value through profit or loss on initial recognition under IFRS 9 and are subsequently measured at fair value, with changes in fair value recognized in profit or loss.

Fair value is determined in accordance with IFRS 13 using valuation techniques that incorporate significant unobservable inputs.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

3. Wholly-Owned Subsidiaries

Hemostemix has five wholly-owned subsidiaries. Kwalata is an IP holding company.

On October 1, 2017, the Company ceased its operations in Israel.

On June 14, 2022, the Company incorporated PreCerv as a wholly-owned subsidiary. PreCerv obtained a global field of use license to NCP-01 and ACP-01 and its autologous stem cell technologies from Hemostemix.

On August 29, 2023, the Company incorporated Hemostemix Quebec Inc. as a wholly-owned subsidiary.

On August 22, 2024, the Company incorporated Hemostemix PR Inc. as a wholly-owned subsidiary.

4. Marketable securities

The Company's marketable securities include common shares that are listed on the NASDAQ.

During the year, the company subscribed for an equity investment of 33,300 units in Firefly Neuroscience Inc. for USD\$99,900. Each unit consists one share and one warrant. Each whole warrant shall entitle the holder thereof to a Common Share at a price of USD \$4.00 per Common Share. A Warrant may be exercised at any time during the thirty-six (36) month period.

During the year ended December 31, 2025, the Company recognized an unrealized loss of \$85,977 (year ended December 31, 2024 - unrealized loss of \$nil) on marketable securities.

Marketable securities have been designated as fair value through profit or loss and are recorded at fair value using the last bid price, with changes recognized in the consolidated statements of loss.

Marketable securities are composed of:

	As at December 31, 2025	As at December 31, 2024
Marketable securities	\$ 59,603	\$ -

5. Intangible Assets

Proprietary Protection - The Company's intellectual property is protected by several issued patents grouped together in five patent families, which currently have a carrying value of \$1 (December 31, 2024 - \$1).

During the year ended December 31, 2025, additional provisional patent with trademark applications have been filed and patents continue to be pursued in additional jurisdictions; however, the Company has determined that none of these costs meet the criteria for deferral.

Hemostemix Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

5. Intangible Assets (continued)

The five patent families are:

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

6. Equipment

Cost	Computers
Balance - December 31, 2023, December 31, 2024 and December 31, 2025	\$ 6,138
<hr/>	
Accumulated depreciation	
Balance - December 31, 2023	\$ (5,955)
Depreciation for the year	(100)
<hr/>	
Balance - December 31, 2024	\$ (6,055)
Depreciation for the year	(46)
<hr/>	
Balance - December 31, 2025	\$ (6,101)
<hr/>	
Net book value	
As at December 31, 2024	\$ 83
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As at December 31, 2025	\$ 37

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

7. Loans and Borrowing

(a) Debenture:

	Number of Debentures	Liability Component	Equity Component
Balance at December 31, 2023	2,500	\$ 1,528,140	\$ 859,934
Accretion and interest	-	375,104	-
Balance at December 31, 2024	2,500	\$ 1,903,244	\$ 859,934
Accretion (note 12)	-	211,481	-
Repayment of loan	(2,500)	(1,250,000)	-
Gain on disposition of convertible debenture	-	(864,725)	-
Balance at December 31, 2025	-	\$ -	\$ 859,934

On June 11, 2021, the Company closed a \$2,500,000 non-brokered private placement of convertible debentures (the "Debentures"), in the principal amount of \$2,500,000. Each Debenture consists of \$1,000 principal amount and 2,500 Debenture warrants. The debenture matures five years from the closing date and bears interest at a rate of 6% per annum, payable quarterly, in arrears in cash or Common shares at the option of the Company. The principal amount of the debenture may be convertible, at the option of the Company and the holder, into common shares of the Company at a price of \$0.40 per common share. At the election of the Company, any accrued and unpaid interest may be converted into Common shares of the Company at a conversion price equal to market price, but not less than the conversion price. Each debenture warrant entitles the holder to acquire one common share at a price of \$0.55 per common share for a period of 24 months from the closing of the debenture offering.

The liability component of the Debenture was valued using the effective interest method, based on an estimated effective interest rate of 23%. The difference between the \$2,500,000 principal amount of the Debentures and the discounted fair value of the liability component was recognized as the equity portion of the Debenture on the date of grant. No fair value measurement is required as liability component is measured at amortized cost after initial recognition. The fair value of the equity component as of issuance was \$859,934, which is net of deferred tax recovery of \$255,788. On March 29, 2023, the Company settled \$153,409 of interest by issuing 639,203 common shares at a deemed unit price of \$0.24 (Note 8). During the year ended December 31, 2023, the Convertible Debenture was amended as follows: 1) interest will be amended from 6% per annum to nil (zero) from January 1, 2023 to maturity (June 11, 2026); 2) the Company's conversion rights will be limited to allow conversion, at the originally stated conversion rate of \$0.40 per common share, for any or all, of the outstanding debentures at maturity; 3) the Company will grant the holder the ability to convert at any time, any or all, of their debentures at the originally stated conversion rate of \$0.40 per common share and 4) security will be amended from unsecured to secured, and will rank in a second secured position behind the already secured \$2.75 million 5 year secured debenture, issued on April 25, 2022. A gain of \$200,990 was recorded during the year ended December 31, 2023. On July 24, 2025, the Company settled the full Convertible Debenture balance with a payment of \$1,250,000 (cash). A gain of \$864,725 was recorded during the year ended December 31, 2025. As of December 31, 2025, there is no balance outstanding for this convertible debenture. During the year ended December 31, 2025, the Company incurred \$211,481 (year ended December 31, 2024 - \$375,104) of accretion expense, included in the consolidated Statements of Loss and Comprehensive Loss.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

7. Loans and Borrowing (Continued)

(b) Convertible debenture

	Number of Debentures	Liability Component	Equity Component
Debentures, balance at December 31, 2023	2,750	\$ 2,793,363	\$ 7,922
Interest	-	220,602	-
Accretion	-	19,507	-
Balance at December 31, 2024	2,750	\$ 3,033,472	\$ 7,922
Interest (note 12)	-	220,000	-
Accretion (note 12)	-	21,745	-
Repayment of interest (note 8(b)(i))	-	(408,546)	-
Balance at December 31, 2025	2,750	\$ 2,866,671	\$ 7,922

On April 25, 2022, the Company closed a \$2,750,000 non-brokered private placement of convertible debentures (the "Convertible Debentures"), in the principal amount of \$2,750,000. Each Convertible Debenture consists of \$1,000 principal amount and 5,714 Convertible Debenture warrants. The debenture matures five years from the closing date and bears interest at a rate of 8% per annum, payable quarterly, in arrears in cash or Common shares at the option of the Company. The principal amount of the debenture may be convertible, only at the option of the holder, into common shares of the Company at a price of \$0.175 per common share. At the election of the Company, any accrued and unpaid interest may be converted into Common shares of the Company at a conversion price equal to market price, but not less than the conversion price. Each debenture warrant entitles the holder to acquire one common share at a price of \$0.20 per common share for a period of 60 months from the closing of the debenture offering.

The liability component of the Debenture was valued using the effective interest rate method, based on an estimated effective interest rate of 9.85%. The difference between the \$2,750,000 principal amount of the Debentures and the discounted fair value of the liability component was recognized as the equity portion of the Debenture on the date of grant. No fair value measurement is required as liability component is measured at amortized cost after initial recognition. The fair value of 15,713,500 warrants issued was \$167,809 and the fair value of the 133,935 finder warrants issued was \$20,524. Additional issue costs of \$25,654 was incurred. The fair value of the equity component is \$7,922. Fair value has not changed as of December 31, 2025. On March 29, 2023, the Company settled \$150,680 of interest by issuing 803,971 common shares at a deemed unit price of \$0.19 (Note 8). On January 7, 2025, the Company settled \$408,546 of interest by issuing 4,085,461 common shares at a deemed unit price of \$0.10 (Note 8). No embedded and no fair value has been recalculated as of December 31, 2025. During the year ended December 31, 2025, the Company incurred \$241,745 (year ended December 31, 2024 - \$240,109) of accretion and interest expense, included in the consolidated Statements of Loss and Comprehensive Loss.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

7. Loans and Borrowing (Continued)

(c) Convertible debenture

	Number of Debentures	Liability Component
Balance at December 31, 2024	-	\$ -
Issuance of debentures	15	708,243
Fair value movement (note 12)	-	27,677
Balance at December 31, 2025	-	\$ 735,920

During 2025, the Company issued ACP-01 Therapeutic Convertible Debentures (the "Debentures") to finance clinical development activities. The Debentures are mandatorily convertible at maturity, include a holder option to settle in ACP-01 treatment volumes, and have been designated at fair value through profit or loss under IFRS 9.

Terms

On July 14, 2025, the Company issued 15 Series B unsecured ACP-01 Therapeutic Convertible Debentures for aggregate proceeds of USD \$517,230 (USD \$34,482 per Debenture). The Debentures are denominated in United States dollars and mature on December 31, 2029.

Interest. Simple interest accrues at 6.0% per annum on the outstanding principal, payable annually in arrears on December 31. At the Company's option, interest may be settled in cash or common shares — in Year 1 at a fixed price of CAD \$0.155 per share; in Years 2 through maturity at the greater of CAD \$0.155 or the then current market price.

Principal conversion. At any time prior to maturity, the holder may convert all or a portion of the principal into common shares at CAD \$0.155 per share. If the Debentures remain outstanding at maturity, the Company must convert them at CAD \$0.155 per share.

ACP-01 settlement. Instead of equity conversion, the holder may elect to convert any Debenture in full into one therapeutic volume of ACP-01, if available at the time of conversion.

Classification

The Debentures are classified as a financial liability in their entirety under IAS 32; no equity component is recognised. They do not qualify for equity classification because:

- the ACP-01 settlement option may require delivery of a non-equity, non-financial asset, which precludes equity classification;
- the principal is denominated in USD while the conversion price is fixed in CAD, so the number of shares issuable is variable in the Company's functional currency and fails the fixed-for-fixed criterion;
- the interest conversion price from Year 2 to maturity is the greater of CAD \$0.155 or market price, which is not a fixed price and independently fails the fixed-for-fixed criterion; and
- an Event of Default permits holders to demand immediate cash repayment upon certain involuntary insolvency events, creating a contingent cash obligation not solely within the Company's control.

The conversion features and the ACP-01 settlement option are terms of the financial liability and are not bifurcated.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

7. Loans and Borrowing (Continued)

(c) Convertible debenture (continued)

Measurement

The Company designated the Debentures at fair value through profit or loss ("FVTPL") on initial recognition under IFRS 9.4.2.2(a) to eliminate an accounting mismatch. Absent this designation, the Debentures would be measured at amortized cost while economically significant features introduce variability not reflected in amortized cost measurement. The Debentures are remeasured at fair value at each reporting date, with changes in fair value recognised in profit or loss, except for changes attributable to the Company's own credit risk, which are recognised in other comprehensive income. Because the Debentures are measured at FVTPL, no separate interest expense or foreign exchange difference is recognised — the economic cost of the instruments and the effect of exchange rate movements are captured within the fair value remeasurement.

Fair Value Measurement

Hierarchy. The Debentures are classified as Level 3 in the IFRS 13 fair value hierarchy, as their fair value measurement uses significant unobservable inputs. While the share price and risk-free rate are observable, the commercial value and probability of availability of ACP-01 are unobservable inputs.

Technique. Monte Carlo simulation model with Geometric Brownian motion designed to capture the equity-linked, path-dependent nature of the Debentures' settlement features. This approach is commonly applied where the economic value of an instrument is driven by future share price performance and where closed-form valuation models are insufficient to reflect non-linear payoff structures.

Calibration. At the issuance date, the model was calibrated to the face value of the instrument at initial recognition. The company specific credit spread on the issuance date of 7.40% above the CCC-rated healthcare bond yield was not significantly changed at December 31, 2025, consistent with management's assessment that the Company's credit profile did not change materially during the period.

The significant inputs used in the valuation model were as follows:

Input	Jul 14, 2025	Dec 31, 2025	Level
Share price — TSXV: HEM	CAD \$0.135	CAD \$0.090	1
Annualized historical volatility	127.67%	136.50%	2
Risk-free rate	2.97%	2.77%	2
Total discount rate	22.40%	22.25%	3
ACP-01 commercial value (per unit)	USD \$37,500	USD \$50,000	3
Probability of ACP-01 availability	95%	95%	3
USD/CAD exchange rate	1.3693	1.3706	2

The ACP-01 commercial value increased from USD \$37,500 at issuance to USD \$50,000 at December 31, 2025, reflecting higher anticipated costs related to external quality and safety testing. Changes in ACP-01 commercial value and estimated probability of availability will be reflected in fair value at future reporting dates. There were no transfers between levels of the fair value hierarchy during the period.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

7. Loans and Borrowing (Continued)

(c) Convertible debenture (continued)

Movement in Fair Value

<u>Year ended December 31, 2025</u>	<u>\$</u>
Initial recognition at fair value — July 14, 2025	708,242
Change in fair value recognised in profit or loss	27,677
Change in fair value attributable to own credit risk recognised in OCI	—
Fair value at December 31, 2025	735,619

The initial recognition amount of \$708,243 represents USD \$517,230 translated at the spot rate of 1.3693 on July 14, 2025. The fair value increase of \$27,677 is driven primarily by the passage of time and the dominance of the ACP-01 treatment floor at the current share price, partially offset by the decline in the Company's share price.

Financial Risk Exposure

The Debentures expose the Company to equity price risk, foreign exchange risk, and credit risk. These risks are reflected in the fair value measurement through the valuation inputs described above.

In connection with the TCD offering, the Company paid cash finder's fees of CAD\$59,171 and issued 356,298 finder's warrants, each exercisable at CA\$0.155 per common share for one year from the closing date. The finder's warrants were measured at fair value on the grant date. As the TCDs are classified as financial liabilities measured at fair value through profit or loss under IFRS 9, the cash finder's fees and the fair value of the finder's warrants with a fair value of \$21,798 were recognized as financing costs in profit or loss.

Sensitivity Analysis

The following table presents the effect on the December 31, 2025 fair value of reasonably possible changes in significant Level 3 inputs, holding all other inputs constant:

<u>Input (base)</u>	<u>Change</u>	<u>Fair value (\$)</u>	<u>Increase (\$)</u>	<u>Decrease (\$)</u>
ACP-01 commercial value (USD \$50,000)	+ USD \$20,000 to USD \$70,000	891,795	156,176	—
	- USD \$20,000 to USD \$30,000	549,014	—	(186,605)
Probability of availability (95%)	Decrease to 75%	684,861	—	(50,758)
	Decrease to 50%	590,505	—	(145,114)
Historical volatility (136.5%)	+ 10pp to 146.5%	745,195	9,576	—
	- 10pp to 126.5%	714,829	—	(20,790)
Total discount rate (22.25%)	- 500bps to 17.25%	825,776	90,157	—
	+ 500bps to 27.25%	669,097	—	(66,522)

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

7. Loans and Borrowing (Continued)

(c) Convertible debenture (continued)

Carrying Amount and Classification

	Dec 31, 2025	Dec 31, 2024
	\$	\$
ACP-01 Therapeutic Convertible Debentures — FVTPL	735,619	—
Non-current	735,619	—

The fair value carrying amount of \$735,619 is equivalent to USD \$536,713 at the December 31, 2025 exchange rate of 1.3706. As the Debentures are measured at FVTPL, foreign exchange movements are included within the change in fair value recognised in profit or loss and no separate exchange difference is recognised for this instrument.

8. Share Capital

(a) Authorized
Unlimited number of shares designated as Common Shares
Unlimited number of shares designated as Preferred Shares
The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. No preferred shares have been issued.

(b) Issued and outstanding

	Number of common shares	Amount
Balance, December 31, 2023 and December 31, 2024	87,122,318	\$ 42,481,424
Private placement net of share issuance costs (i)(ii)	53,519,635	2,452,496
Issuance of warrants (i)(ii)	-	(1,016,646)
Balance, December 31, 2024	140,641,953	\$ 43,917,274
Private placement net of share issuance costs (iii)(iv)(v)(vi)(vii)(viii)(ix)(x)(xi)	46,503,693	3,519,196
Exercise of finder warrants (note 9)	1,842,260	262,245
Exercise of options (note 10)	180,000	25,159
Shares issued for debt (iii)(vii)	6,085,461	658,546
Balance, December 31, 2025	195,253,367	\$ 48,382,420

i) In the fourth quarter of 2024, the Company closed a non-brokered private placement consisting of an aggregate of 36,854,475 units at a price of \$0.05 per Unit for gross proceeds of \$1,842,724. Each unit ("Unit") consisted of one common share, and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of \$0.12 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately \$141,284 as well as granted 1,718,800 agent warrants with a fair value of \$131,630 which are exercisable for a period of 24 months from closing to acquire common shares at a price of \$0.05 per common shares (note 9).

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

8. Share Capital (continued)

(b) Issued and outstanding (continued)

ii) In the fourth quarter of 2024, the Company closed a non-brokered private placement consisting of an aggregate of 16,665,160 units at a price of \$0.05 per Unit for gross proceeds of \$833,258. Each unit ("Unit") consisted of one common share, and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of \$0.12 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately \$91,001 as well as granted 496,413 agent warrants with a fair value of \$30,219 which are exercisable for a period of 24 months from closing to acquire common shares at a price of \$0.05 per common shares (note 9).

iii) In the first quarter of 2025, the Company issued 4,085,461 common shares at a deemed unit price of \$0.10 per common share to settle \$408,546 of interest from January 1, 2023 to September 30, 2024.

iv) In the second quarter of 2025, the Company closed a non-brokered private placement consisting of an aggregate of 1,634,466 common shares at a price of \$0.295 per common share each for gross proceeds of \$482,167.

v) In the third quarter of 2025, the Company closed a non-brokered private placement consisting of an aggregate of 30,000,000 units at a price of \$0.10 per Unit for gross proceeds of \$3,000,000. Each unit ("Unit") consisted of one common share, and one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of \$0.15 per common share, for a period of 24 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately \$100,032 as well as granted 1,000,320 agent warrants with a fair value of \$93,972 which are exercisable for a period of 24 months from closing to acquire common shares at a price of \$0.15 per common shares (note 9).

vi) In the third quarter of 2025, the Company closed a non-brokered private placement consisting of an aggregate of 3,911,385 common shares at a price of \$0.12 per common share each for gross proceeds of \$469,366.

vii) In the third quarter of 2025, the Company settled \$400,000 of debt through the issuance of 2,000,000 common shares. The shares were measured at their fair value of \$0.125 per share, resulting in a gain on extinguishment of debt of \$150,000 recognized in profit or loss.

viii) In the fourth quarter of 2025, the Company announced it had closed the first tranche of its non-brokered private placement for gross proceeds of \$461,230 (the "Offering"). The Offering consisted of the issuance of an aggregate of 4,193,000 Units at a price of \$0.11 per Unit. Each Unit consists of one common share ("Common Share") in the capital of the Company and one common share purchase warrant ("Warrant"), with each full Warrant entitling the holder to acquire one Common Share at a price of \$0.15 per Common Share for a period of 24 months from the closing of the offering. In connection with the Offering, the Company paid eligible finders aggregate cash finder fees of approximately \$23,698 and issued 1,000,320 finder's warrants with a fair value of \$13,630 to purchase Common Shares of the Company at an exercise price of \$0.15 per Common Share within 24 months from the closing date of the Offering.

ix) In the fourth quarter of 2025, the Company announced it had closed a non-brokered private placement for gross proceeds of \$280,594 (the "Offering"). The Offering consisted of the issuance of an aggregate of 2,244,752 Units at a price of \$0.125 per Unit.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

8. Share Capital (continued)

(b) Issued and outstanding (continued)

x) In the fourth quarter of 2025, the Company announced it had closed a non-brokered private placement for gross proceeds of \$57,210 (the "Offering"). The Offering consisted of the issuance of an aggregate of 520,090 Units at a price of \$0.11 per Unit. Each Unit consists of one common share ("Common Share") in the capital of the Company and one common share purchase warrant ("Warrant"), with each full Warrant entitling the holder to acquire one Common Share at a price of \$0.15 per Common Share for a period of 24 months from the closing of the offering.

xi) In the fourth quarter of 2025, the Company announced it had closed a non-brokered private placement for gross proceeds of \$480,000 (the "Offering"). The Offering consisted of the issuance of an aggregate of 4,000,000 common shares of the Company at a price of \$0.12 per common share.

9. Warrants

The following table reflects the continuity of the investor warrants for the years ended December 31, 2025 and 2024:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2023	38,638,256	\$ 0.44
Granted (a)(b) (note 8 (b)(i)(ii))	53,519,635	0.12
Expired (d)	(16,096,401)	0.46
Balance, December 31, 2024	76,061,490	\$ 0.17
Granted (c), (note 8 (b)(v))	35,069,388	0.15
Expired (f)	(6,753,355)	0.47
Exercised (e)	(275,000)	0.16
Balance, December 31, 2025	104,102,523	\$ 0.14

A summary of the status of the Company's broker warrants as at December 31, 2025 and 2024 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2023	1,016,032	\$ 0.32
Expired (g)	(803,085)	0.37
Granted (a)(b), (note 8 (b)(i)(ii))	2,215,213	0.05
Balance, December 31, 2024	2,428,160	\$ 0.06
Exercised (h)	(1,567,260)	0.06
Expired (g)	(47,920)	0.12
Granted (c), (note 6 (c), note 8 (b)(v))	1,215,760	0.15
Balance, December 31, 2025	2,028,740	\$ 0.11

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

9. Warrants (continued)

a) In conjunction with the private placement on October 29, 2024, the Company issued 36,854,475 warrants that entitle the holder to acquire an additional common share at \$0.12 per share, and expiring in a 24 month period. The Company also granted 1,718,800 agent warrants which entitle the holder to acquire a purchase warrant at \$0.05 per share and expiring in a 24 month period. The fair value of the warrants was estimated on the date of grant using the Black-Scholes relative fair value approach with the following assumptions: stock price of \$0.10, expected dividend yield of 0%, expected volatility of 130.56%, risk-free interest rates of 3.08%, and an average expected life of 24 months.

b) In conjunction with the private placement on November 28, 2024, the Company issued 16,665,160 warrants that entitle the holder to acquire an additional common share at \$0.12 per share, and expiring in a 24 month period. The Company also granted 496,413 agent warrants which entitle the holder to acquire a purchase warrant at \$0.05 per share and expiring in a 24 month period. The fair value of the warrants was estimated on the date of grant using the Black-Scholes relative fair value approach with the following assumptions: stock price of \$0.085, expected dividend yield of 0%, expected volatility of 120.79%, risk-free interest rates of 3.18%, and an average expected life of 24 months.

c) In conjunction with the private placement on July 22, 2025, the Company issued 30,000,000 warrants that entitle the holder to acquire an additional common share at \$0.15 per share, and expiring in a 24 month period. The Company also granted 1,000,320 agent warrants which entitle the holder to acquire a purchase warrant at \$0.15 per share and expiring in a 24 month period. The fair value of the warrants was estimated on the date of grant using the Black-Scholes relative fair value approach with the following assumptions: stock price of \$0.13, expected dividend yield of 0%, expected volatility of 222.62%, risk-free interest rates of 2.82%, and an average expected life of 24 months.

In conjunction with the private placement on November 3, 2025, the company issued 4,193,000 warrants with an exercise price \$0.15 and expiring in a 24 month period. The Company also granted 215,440 agent warrants with an exercise price \$0.15 and expiring in 24 month period. The fair value of the warrants was estimated on the date of grant using the Black-Scholes relative fair value approach with the following assumptions: stock price of \$0.15, expected dividend yield of 0%, expected volatility of 149.27%, risk-free interest rates of 2.43%, and an average expected life of 24 months.

In conjunction with the private placement on December 1, 2025, the Company issued 520,090 warrants with an exercise price \$0.15, and expiring in 24 month period. The fair value of the warrants was estimated on the date of grant using the Black-Scholes relative fair value approach with the following assumptions: stock price of \$0.15, expected dividend yield of 0%, expected volatility of 149.43%, risk-free interest rates of 2.48%, and an average expected life of 24 months.

d) During the year ended December 31, 2024, 16,096,401 warrants expired unexercised.

e) During the year ended December 31, 2025, 275,000 warrants with a Black Scholes value of \$8,106, were exercised into 275,000 common shares for proceeds of \$42,750

f) During the year ended December 31, 2025, 6,801,275 warrants expired unexercised.

g) During the year ended December 31, 2024, 803,085 broker warrants expired unexercised.

h) During the year ended December 31, 2025, 1,567,260 broker warrants with a Black-Scholes value of \$111,980, were exercised into 1,567,260 common shares for proceeds of \$99,662.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

9. Warrants (continued)

As at December 31, 2025, the following warrants were issued and outstanding:

Expiry Date	Exercise Price (\$)	Number of Warrants and Broker Warrants
July 23, 2026	0.16	356,298
October 29, 2026	0.12	36,654,475
October 29, 2026	0.05	684,567
November 29, 2026	0.12	16,665,160
November 29, 2026	0.05	128,413
April 25, 2027	0.20	15,713,500
July 23, 2027	0.15	30,000,000
July 23, 2027	0.15	1,000,320
November 3, 2027	0.15	4,408,440
December 1, 2027	0.15	520,090
		106,131,263

10. Stock Options

	Number of Options	Weighted average exercise price
Balance, December 31, 2023	8,676,694	\$ 0.44
Granted (a)	3,710,000	0.10
Balance, December 31, 2024	12,386,694	\$ 0.33
Balance, December 31, 2024	12,386,694	\$ 0.33
Granted (b)(c)	6,918,000	0.13
Exercised	(180,000)	0.14
Expired	(4,858,000)	(0.70)
Balance, December 31, 2025	14,266,694	\$ 0.14

a) On October 31, 2024, the Company granted 3,710,000 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of \$0.10 and an expiry date of October 31, 2029. 3,220,000 of these stock options will vest immediately. The remaining 490,000 stock options will vest 50% immediately with the remaining 50% fully vested on October 31, 2025. The fair value of the stock options were \$331,702 and was estimated on the date of grant using the Black-Scholes model with the following assumptions: expected volatility of 242.3%, risk-free interest rate of 3.02% and an average expected life of 5 years.

b) On January 22, 2025, the Company granted 2,085,000 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of \$0.275 and an expiry date of January 22, 2030. 1,815,000 of these stock options will vest immediately. The remaining 270,000 stock options will vest 50% immediately with the remaining 50% fully vested on January 22, 2026. The fair value of the stock options were \$579,602 and was estimated on the date of grant using the Black-Scholes model with the following assumptions: expected volatility of 237.81%, risk-free interest rate of 3.02% and an average expected life of 5 years.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

10. Stock Options (continued)

c) On July 23, 2025, the Company granted 3,870,000 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of \$0.13 and an expiry date of July 23, 2030. 3,360,000 of these stock options will vest immediately. The remaining 510,000 stock options will vest 50% immediately with the remaining 50% fully vested on July 23, 2026. The fair value of the stock options were \$494,574 and was estimated on the date of grant using the Black-Scholes model with the following assumptions: expected volatility of 471.86%, risk-free interest rate of 3.10% and an average expected life of 5 years.

d) On December 11, 2025, the Company granted 963,000 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of \$0.095 and an expiry date of December 11, 2030. 663,000 of these stock options will vest immediately. The remaining 300,000 stock options will vest 50% immediately with the remaining 50% fully vested on December 11, 2026. The fair value of the stock options were \$78,021 and was estimated on the date of grant using the Black-Scholes model with the following assumptions: expected volatility of 281.92%, risk-free interest rate of 3.00% and an average expected life of 5 years.

The Company has recognized an expense of \$1,132,176 for options vesting period during the year ended December 31, 2025 (year ended December 31, 2024 - \$330,983), which is included in stock-based compensation expense on the consolidated statements of loss and comprehensive loss.

The following summarizes the stock options outstanding as at December 31, 2025:

	Number of Options #	Exercise Price \$	Weighted Average remaining life (years)
February 28, 2027	1,433,694	0.17	0.11
December 29, 2028	2,205,000	0.07	0.39
October 31, 2029	3,710,000	0.10	0.84
January 22, 2030	2,085,000	0.28	0.50
July 23, 2030	3,870,000	0.13	0.92
December 11, 2030	963,000	0.10	4.95
	14,266,694		3.74

As at December 31, 2025, there were 13,726,694 exercisable options with a weighted average exercise price of \$0.13.

11. Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 23% (2024 - 23%) to the effective tax rate is as follows:

	2025	2024
Net (Loss) before income taxes	\$ (4,713,931)	\$ (2,616,402)
Expected income tax (recovery)	(1,011,650)	(601,770)
Stock-based compensation and non-deductible expenses	(86,996)	80,070
Share issuance cost booked directly to equity	(90,210)	(83,170)
Change in benefit of tax assets not recognized	1,188,856	604,870
Deferred income tax provision	\$ -	\$ -

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

11. Income Tax (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	2025	2024
Deferred Tax Assets		
Operating tax losses carried forward	502,052	195,200
Subtotal of Assets	502,052	195,200
Deferred Tax Liabilities		
Convertible debentures	(502,052)	(195,200)
Loan	(486,921)	(486,921)
Subtotal of Liabilities	(988,973)	(682,121)
Net deferred tax liability	\$ (486,921)	\$ (486,921)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	2025	2024
Balance at the beginning of the year	\$ (486,921)	\$ (486,921)
Recognized in profit/loss	-	-
Balance at the end of the year	\$ (486,921)	\$ (486,921)

Unrecognized deferred tax assets

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

Deductible temporary differences	2025	2024
Equipment	\$ 12,709	\$ 12,660
Share issue costs	1,684,983	505,780
Undepricable tax costs of intangible assets	14,627,606	14,627,610
Operating tax losses carried forward - Canada	53,175,396	50,798,020
Operating tax losses carried forward - US	135,920	135,920
Operating tax losses carried forward - PR	1,612,314	-
Deferred tax asset (liability)	71,248,928	66,079,990
Less: deferred tax asset not recognized	(71,248,928)	(66,079,990)
Deferred Tax Asset (Liability)	\$ -	\$ -

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

11. Income Tax (continued)

The Canadian operating tax loss carry forwards expire as noted in the table below. U.S. operating tax losses can be carried forward indefinitely.

Share issuance costs will be fully amortized in 2027.

The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available which the Company can utilize the benefits therefrom.

2026	\$ 808,426
2027	900,120
2028	642,600
2029	1,340,250
2030	661,800
2031	1,307,720
2032	572,060
2033	2,145,680
2034	279,000
2035	2,948,180
2036	2,842,550
2037	1,904,490
2038	5,115,010
2039	5,033,920
2040	6,105,820
2041	6,906,830
2042	4,694,720
2043	2,669,700
2044	2,295,070
2045	4,001,449
	<hr/>
	\$53,175,395

12. Finance Expense

	Year Ended December 31, 2025	Year Ended December 31, 2024
Finance expenses:		
Financial expenses	106,980	9,950
Accretion expense (Note 7)	233,226	394,611
Interest expense (Note 7)	220,000	220,602
Total	560,206	625,163

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

13. Commitments and contingencies

Commitments

Clinical Trial Costs

In 2025, and continuing into 2026, these costs will primarily relate to analytical and trial planning and initiation activities.

Contingencies

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

14. Related Party Transactions

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

The following includes all compensation to a consultant and key management personnel:

The Company recorded share-based compensation expense for the year ended December 31, 2025 of \$1,063,804 (year ended December 31, 2024 - \$290,954) to a consultant, current management and directors of the Company.

For the year ended December 31, 2025, the Company incurred \$198,000 (year ended December 31, 2024 - \$198,000) to Mr. Thomas Smeenk, CEO, for consulting services. As at December 31, 2025, Mr. Smeenk was owed \$54,631 (December 31, 2024 - \$292,999) and this amount was included in accounts payable and accrued liabilities.

For the year ended December 31, 2025, the Company incurred \$200,000 (year ended December 31, 2024 - \$262,500) to a consultant of the Company. As at December 31, 2025, they were owed \$136,153 (December 31, 2024 - \$273,391) and this amount was included in accounts payable and accrued liabilities.

For the year ended December 31, 2025, the Company incurred \$52,227 (year ended December 31, 2024 - \$47,504) to Marrelli Support Services Inc., a company which the CFO is related to. As at December 31, 2025, the Company owed \$2,675 (December 31, 2024 - \$nil) to Marrelli Support Services Inc. for accounting fees, and this amount was included in accounts payable and accrued liabilities.

For the year ended December 31, 2025, the Company paid consulting fees of \$400,000 to Dr. Fraser Henderson as Chief Medical Officer (year ended December 31, 2024 - \$nil). As at December 31, 2025, the Company owed \$nil (December 31, 2024 - \$nil) to Dr. Fraser Henderson.

During the year ended December 31, 2025, the company extinguished \$2.5 million of convertible debentures from a Director with a carrying value of \$2,114,725 for cash consideration of \$1.25 million, resulting in a gain on extinguishment of \$864,725.

Please refer to note 7 for convertible debentures that is with a related party.

Hemostemix Inc.

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024 (Expressed in Canadian Dollars)

15. Financial Instruments

Our financial instruments consist of cash, subscriptions receivables and accounts payable and accrued liabilities and debentures. As at December 31, 2025, there are no significant differences between the carrying values of these amounts and their estimated market values.

Financial risk management

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

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

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

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company are exposed to interest rate risk through our cash. The Company mitigate this risk by investment of excess cash resources in investment grade vehicles while matching maturities with our operational requirements. The Company structures the large majority of its secured borrowing arrangements to maintain a fixed interest rate spread. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis.

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

The Company mitigates our exposure to interest rate risk on loans as the Company utilizes fixed rates.

Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of our operations. The Company are exposed to currency risk from the purchase of goods and services in the United States. In addition, the Company are exposed to currency risk to the extent cash is held in foreign currencies. The impact of a 10% increase in the value of the U.S. dollar against the Canadian dollar would have increased our net loss for the year ended December 31, 2025 by approximately \$8,991 (year ended December 31, 2024 - \$117,031).

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

Hemostemix Inc.

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

15. Financial instruments (continued)

Currency risk (continued)

Balances in foreign currencies at December 31, 2025 are as follows:

	US Dollar
Cash	\$ 46,966
Accounts payable and accrued liabilities	(136,872)
Balance, December 31, 2025	\$ (89,906)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manage liquidity risk through the management of our capital structure. Accounts payable and accrued liabilities, convertible debentures, loans payable all were due within a year.

	2025	2026	2027	2028	2029	Thereafter
Accounts payable and accrued liabilities	\$ 1,729,948	\$ -	\$ -	\$ -	\$ -	\$ -
Convertible debt	220,000	220,000	1,724,411	-	707,984	-
Total	\$ 1,949,948	\$ 220,000	\$1,724,411	\$ -	\$ 707,984	\$ -

16. Subsequent Event

On March 19, 2026, the Company announced it had closed the final tranche of its non-brokered private placement for gross proceeds of \$303,967 through the issuance of an aggregate of 2,533,065 common shares at a price of \$0.12 per common share.