
HEMOSTEMIX INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
THREE MONTHS ENDED MARCH 31, 2023
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed consolidated interim financial statements of Hemostemix Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

Hemostemix Inc.

Condensed Consolidated Interim Statements of Financial Position (Expressed in Canadian Dollars) (Unaudited)

	As at March 31, 2023	As at December 31, 2022
ASSETS		
Current Assets		
Cash	\$ 272,342	\$ 135,746
HST/GST receivable	27,648	138,938
Prepaid expenses	200,368	190,254
Total current assets	500,358	464,938
Non-current assets		
Equipment (note 5)	350	406
Intangible assets (note 4)	1	1
Total assets	\$ 500,709	\$ 465,345
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 2,975,137	\$ 2,621,336
Loans payable (note 6)	100,000	-
Total current liabilities	3,075,137	2,621,336
Non-current liabilities		
Debentures (note 6)	3,922,323	4,125,818
Deferred income tax payable	486,921	486,921
Total liabilities	7,484,381	7,234,075
Shareholders' Deficiency		
Share capital (note 7)	41,996,307	41,081,789
Warrants (note 8)	2,597,090	2,667,520
Contributed surplus	10,462,468	10,245,161
Deficit	(62,039,537)	(60,763,200)
Total Shareholders' Deficiency	(6,983,672)	(6,768,730)
Total Liabilities and Shareholders' Deficiency	\$ 500,709	\$ 465,345

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

Incorporation, nature of business and going concern (note 1)
Commitments and contingencies (note 11)

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating expenses		
Research and development	\$ 430,232	\$ 74,099
Consulting and salaries (note 12)	272,914	75,861
Stock-based compensation (note 9)	3,139	164,415
Marketing and office expenses (note 12)	186,134	58,695
Professional fees	238,848	960,802
Gain on settlement of debt through shares (note 7)	6,193	(2,214)
Foreign exchange loss	37,399	259,990
Finance expense (notes 6 and 10)	101,422	43,610
Depreciation expense (note 5)	56	123
Net loss and comprehensive loss for the period	\$ (1,276,337)	\$ (1,635,381)
Basic and diluted net loss and comprehensive loss per share	\$ (0.017)	\$ (0.026)
Weighted average number of common shares outstanding - basic and diluted	75,801,594	62,525,308

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

Hemostemix Inc.**Condensed Consolidated Interim Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating activities		
Net loss for the period	\$ (1,276,337)	\$ (1,635,381)
Items not affecting cash:		
Stock-based compensation (note 9)	3,139	164,415
Finance expense (note 11)	101,422	41,396
Depreciation expense (note 5)	56	123
Foreign exchange gain	37,399	-
Changes in non-cash working capital items:		
Subscriptions receivable	-	1,000
Prepaid expense	(10,114)	(14,463)
HST / GST receivable	111,290	(27,292)
Accounts payable and accrued liabilities	321,767	1,055,825
Net cash (used in) operating activities	(711,378)	(414,377)
Financing activities		
Proceeds from private placement (note 7)	762,400	1,204,850
Finders fees paid (note 7)	(27,224)	(44,362)
Exercise of warrants (note 7)	12,798	-
Proceeds from loan	100,000	-
Net cash provided by financing activities	847,974	1,160,488
Net change in cash	136,596	746,111
Cash, beginning of period	135,746	219,445
Cash, end of period	\$ 272,342	\$ 965,556

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

Hemostemix Inc.

Condensed Consolidated Interim Statements of Changes in Deficiency
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital Number	Amount	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2021	59,150,862	\$ 38,669,773	\$ 1,515,602	\$ 10,058,556	\$ (55,527,726)	\$ (5,283,795)
Issuance of common shares in private placement, net of issuance costs (note 7)	8,606,071	1,129,603	30,884	-	-	1,160,487
Common shares issued for debt	442,708	81,901	-	-	-	81,901
Issuance of warrants	-	(474,324)	474,324	-	-	-
Stock-based compensation (note 9)	-	-	-	164,415	-	164,415
Net loss and comprehensive loss for the period	-	-	-	-	(1,635,381)	(1,635,381)
Balance, March 31, 2022	68,199,641	\$ 39,406,953	\$ 2,020,810	\$ 10,222,971	\$ (57,163,107)	\$ (5,512,373)
Balance, December 31, 2022	75,743,019	\$ 41,081,789	\$ 2,667,520	\$ 10,245,161	\$ (60,763,200)	\$ (6,768,730)
Issuance of common shares in private placement, net of issuance costs (note 7)	3,812,000	728,467	6,709	-	-	735,176
Exercise of warrants (note 8(n))	91,417	21,708	(8,910)	-	-	12,798
Common shares issued for debt	1,443,174	310,282	-	-	-	310,282
Issuance of warrants, related to private placements	-	(145,939)	145,939	-	-	-
Stock-based compensation (note 9)	-	-	-	3,139	-	3,139
Expiry of warrants	-	-	(214,168)	214,168	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(1,276,337)	(1,276,337)
Balance, March 31, 2023	81,089,610	\$ 41,996,307	\$ 2,597,090	\$ 10,462,468	\$ (62,039,537)	\$ (6,983,672)

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

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

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. Hemostemix Inc., an entity under the Business Corporations Act (Alberta) was formed in November 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 three 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. (see note 3).

The Company incurred a net loss of \$1,276,337 for the three months ended March 31, 2023, (three months ended March 31, 2022 - net loss of \$1,635,381) and had accumulated deficit of \$62,039,537 (December 31, 2022 - \$60,763,200). 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.

These conditions raise significant doubt about the Company's ability to continue operating as a going concern. The unaudited condensed consolidated interim financial statements do not include any adjustments to reflect any events since March 31, 2023 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.

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors on May 29, 2023.

2. Significant Accounting Policies

Statement of Compliance

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management in accordance with International Financial Reporting Standards including 34, "Interim Financial Reporting" ("IAS 34"). The notes presented in these unaudited condensed consolidated interim financial statements include only significant events and transactions occurring since our last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited financial statements. As such, these financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2022.

Basis of presentation

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

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant Accounting Policies (Continued)

Consolidated financial statements

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Kwalata Trading Limited, Hemostemix Ltd. and PreCerv. The unaudited condensed consolidated interim 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. The operating results of its activities in Israel have been presented as a discontinued operation. On October 1, 2018, previous management structured the sale of the IP from Kwalata to Hemostemix and planned the wind up Kwalata. This transaction was not completed and Kwalata, a wholly owned subsidiary of Hemostemix Inc., continues as an IP holding company.

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

Functional and presentation currency

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

New accounting standard not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period".
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three Months Ended March 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

3. Wholly-Owned Subsidiaries

Hemostemix has three wholly-owned subsidiaries. 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.

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

The Israel operations had current assets of \$1,784 as at March 31, 2023 (December 31, 2022 - \$1,784) and current liabilities of \$nil as at March 31, 2023 (December 31, 2022 - \$nil).

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.

4. Intangible Assets

In February 2018, the Company entered into a license agreement with Aspire Health Science, LLC ("Aspire"), that granted Aspire a license to sell and import product and use the technology for the treatment of the approved medical indications in the territories. The license expired on January 31, 2021.

In September 2019, the Company entered into an Amended and Restated License Agreement with Aspire (the "2019 License"). Aspire failed to pay Hemostemix. Condition Precedent by the Condition Precedent Satisfaction Date (November 13, 2019). The Amended Restated License Agreement was therefore a nullity and it was rescinded by the Company on December 5, 2019.

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, 2022 - \$1).

During the three months ended March 31, 2023, 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.

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 counties including the US and Canada Pending in Europe	Regulating stem cells
5	Granted Mexico, Singapore	Automated cell therapy

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited)

5. Equipment

	Computers
Cost	
Balance - December 31, 2021 and December 31, 2022	\$ 6,138
Balance - March 31, 2023	\$ 6,138
Accumulated depreciation	
Balance - December 31, 2021	\$ (5,237)
Depreciation for the year	(495)
Balance - December 31, 2022	\$ (5,732)
Depreciation for the year	(56)
Balance - March 31, 2023	\$ (5,788)
Net book value	
As at December 31, 2022	\$ 406
As at March 31, 2023	\$ 350

6. Loans and Borrowing

(a) Debenture:

	Number of Debentures	Liability Component	Equity Component
Balance at December 31, 2022	2,500	\$ 1,574,836	\$ 859,934
Accretion and interest	-	46,348	-
Repayment of interest	-	(153,409)	-
Balance at March 31, 2023	2,500	\$ 1,467,775	\$ 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, only at the option of the Company (and not the option of 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.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

6. Loans and Borrowing (Continued)

(a) Debenture (continued)

The liability component of the Debenture was valued using the discounted cash flow model, based on an estimated effective interest rate of 11.94%. 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 March 31, 2023 is \$859,934, which is net of deferred tax recovery of \$255,788. Accretion and Interest of \$46,348 on the debentures are included in the consolidated Statements of Loss and Comprehensive Loss. The Company settled \$153,409 of interest by issuing 639,203 common shares at a deemed unit price of \$0.24 (Note 7). No embedded and no fair value has been recalculated as of March 31, 2023.

(b) Convertible debenture

	Number of Debentures	Liability Component	Equity Component
Debentures, balance at December 31, 2022	2,750	\$ 2,550,982	\$ 7,922
Accretion	-	54,247	-
Repayment of interest	-	(150,680)	-
Balance at March 31, 2023	2,750	\$ 2,454,549	\$ 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 discounted cash flow model, 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 as of March 31, 2023 is \$7,922. Interest of \$152,493 on the debentures was recognized in accounts payable and accrued liabilities in the consolidated statements of financial position. Accretion and interest on the debentures are included in the finance expense on the consolidated statements of loss and comprehensive loss. Fair value has not changed as of March 31, 2023. Accretion and Interest of \$54,247 on the debentures are included in the consolidated Statements of Loss and Comprehensive Loss. The Company settled \$150,680 of interest by issuing 803,971 common shares at a deemed unit price of \$0.19 (Note 7). No embedded and no fair value has been recalculated as of March 31, 2023.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three Months Ended March 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

7. 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, 2021	59,150,862	\$ 38,669,773
Private placement net of share issuance costs (i)	8,606,071	1,129,603
Issuance of warrants (i)	-	(474,324)
Shares issued for debt (ii)	442,708	81,901
Balance, March 31, 2022	68,199,641	\$ 39,406,953
Balance, December 31, 2022	75,743,019	\$ 41,081,789
Private placement net of share issuance costs (iii)	3,812,000	728,467
Exercise of finder warrants (note 8)	91,417	21,708
Issuance of warrants (iii)	-	(145,939)
Shares issued for debt (iv)	1,443,174	310,282
Balance, March 31, 2023	81,089,610	\$ 41,996,307

i) In the first quarter of 2022, the Company closed a non-brokered private placement consisting of an aggregate of 8,606,071 units at a price of \$0.14 per Unit for gross proceeds of \$1,204,850. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at \$276,562 which entitles the holder to acquire one common share at a price of \$0.40 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 \$44,362 as well as granted 316,874 agent warrants with a fair value of \$30,884, which are exercisable for a period of 24 months from closing to acquire units at a price of \$0.14 per unit (note 8).

ii) In the first quarter of 2022, the Company issued 442,708 common shares at a deemed unit price of \$0.19 per common share to settle \$81,901 of debt owed to the Company. The Company incurred total gain of \$2,214 in the consolidated statement of loss and comprehensive loss.

iii) In the first quarter of 2023, the Company closed a non-brokered private placement consisting of an aggregate of 3,812,000 units at a price of \$0.20 per Unit for gross proceeds of \$762,400. Each unit ("Unit") consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at \$145,939 which entitles the holder to acquire one common share at a price of \$0.65 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 \$27,224 as well as granted 136,120 agent warrants with a fair value of \$6,709 which are exercisable for a period of 12 months from closing to acquire common shares at a price of \$0.20 per common shares (note 8).

iv) In the first quarter of 2023, the Company issued 1,443,174 common shares at a deemed unit price of \$0.21 per common share to settle \$310,282 of debt owed to the Company. The Company incurred total gain of \$6,193

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

in the consolidated statement of loss and comprehensive loss.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three Months Ended March 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

8. Warrants

The following table reflects the continuity of the investor warrants for the periods ended March 31, 2023 and 2022:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2021	41,867,233	\$ 0.63
Granted (a), (note 7 (b)(i))	8,606,071	0.40
Balance, March 31, 2022	50,473,304	\$ 0.59
Balance, December 31, 2022	73,677,134	\$ 0.50
Granted (c), (note 7 (b)(iii))	3,812,000	0.65
Expired (b)	(13,618,522)	0.68
Balance, March 31, 2023	63,870,612	\$ 0.47

A summary of the status of the Company's broker warrants as at March 31, 2023 and 2022 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2021	175,602	\$ 0.29
Granted (a), note 7(b)(i))	316,874	0.14
Balance, March 31, 2022	492,476	\$ 0.19
Balance, December 31, 2022	993,397	\$ 0.34
Exercised (d)	(91,417)	0.14
Granted (c), note 7 (b)(iii))	136,120	0.20
Balance, March 31, 2023	1,038,100	\$ 0.34

a) In conjunction with the private placement on February 28, 2022, the Company issued 8,606,071 warrants that entitle the holder to acquire an additional common share at \$0.40 per share, and expiring in a 24 month period. The Company also granted 316,874 agent warrants which entitle the holder to acquire a purchase warrant at \$0.14 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: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 1.45%, and an average expected life of 24 months.

b) During the three months ended March 31, 2023, 13,618,522 warrants expired unexercised.

c) In conjunction with the private placement on March 21, 2023, the Company issued 3,812,000 warrants that entitle the holder to acquire an additional common share at \$0.65 per share, and expiring in a 24 month period. The Company also granted 136,120 agent warrants which entitle the holder to acquire a purchase warrant at \$0.20 per share and expiring in a 12 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 \$0.175, expected dividend yield of 0%, expected volatility of 80.81%-102.31%, risk-free interest rates of 3.70%, and an average expected life of 12-24 months.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three Months Ended March 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

8. Warrants (continued)

d) During the three months ended March 31, 2023, 91,417 broker warrants with a Black-Scholes value of \$4,067, were exercised into 91,417 common shares for proceeds of \$12,798.

As at March 31, 2023, the following warrants were issued and outstanding:

Expiry Date	Exercise Price (\$)	Number of Warrants and Broker Warrants
April 25, 2023	0.20	133,935
May 10, 2023	0.40	1,257,234
May 28, 2023	1.00	534,912
May 28, 2023	0.55	852,213
June 11, 2023	0.55	6,250,000
July 9, 2023	0.55	1,332,500
September 9, 2023	0.40	82,150
September 20, 2023	0.55	1,494,000
September 20, 2023	0.25	101,080
November 24, 2023	1.00	408,155
November 24, 2023	0.55	510,295
December 18, 2023	1.00	2,028,902
December 18, 2023	0.55	4,331,683
December 31, 2023	1.00	653,333
December 31, 2023	0.55	8,513,334
February 28, 2024	0.40	8,606,071
February 28, 2024	0.14	225,457
June 27, 2024	0.55	2,301,296
June 27, 2024	0.55	79,719
April 25, 2027	0.20	15,713,500
August 12, 2024	0.55	4,549,034
August 12, 2024	0.55	310,589
August 22, 2024	0.55	640,000
August 22, 2024	0.55	51,200
March 20, 2024	0.65	3,812,000
March 20, 2025	0.20	136,120
		64,908,712

9. Stock Options

	Number of Options	Weighted average exercise price
Balance, December 31, 2021	5,342,000	\$ 0.70
Granted (a)	1,433,694	0.17
Balance, March 31, 2022	6,775,694	\$ 2.00
Balance, December 31, 2022 and March 31, 2023	6,775,694	\$ 0.60

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three Months Ended March 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

9. Stock Options (continued)

a) On February 28, 2022, the Company granted 1,433,694 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of \$0.17 and an expiry date of February 28, 2027. 1,133,694 of these stock options will vest immediately. The remaining 300,000 stock options will vest 50% immediately with the remaining 50% fully vested on February 29, 2023. The fair value of the stock options were \$181,822 and was estimated on the date of grant using the Black-Scholes model with the following assumptions: expected volatility of 100%, risk-free interest rate of 1.45% and an average expected life of 5 years.

The Company has recognized an expense of \$3,139 for options vesting period during the three months ended March 31, 2023 (three months ended March 31, 2022 - \$164,415), which is included in stock-based compensation expense on the consolidated statement of loss and comprehensive loss.

The following summarizes the stock options outstanding as at March 31, 2023:

	Number of Options #	Exercise Price \$	Weighted Average remaining life (years)
August 1, 2023	10,000	2.00	0.01
August 26, 2023	57,500	2.00	0.01
December 31, 2025	5,274,500	0.70	2.34
February 28, 2027	1,433,694	0.17	0.88
	6,775,694		3.23

10. Finance Expense

	March 31, 2023	March 31, 2022
Accretion expense (Note 6)	47,175	43,610
Interest expense (Note 6)	54,247	-
Total	\$ 101,422	\$ 43,610

11. Commitments and contingencies

Commitments

Clinical Trial Costs

In 2021, the Company averaged approximately \$15,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. In 2022, the clinical trial costs increased to an average of approximately \$51,000 per month. In 2022, and continuing into 2023, these costs will primarily relate to analytical and trial planning and initiation activities.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2023 and 2022

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(Unaudited)

11. Commitments & contingencies (continued)

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.

Dr. Elmar Burchardt Arbitration

On October 17, 2019, Dr. Elmar R. Burchardt ("Burchardt"), the Company's former CEO, commenced a formal arbitration over disputed amounts for unpaid salary, severance and benefits amounts allegedly owing to Burchardt after his resignation from the Company in January 2017. The Company's position is that Burchardt's claim is without merit, and it will defend its position vigorously.

On January 24, 2023, the Company announced the arbitrator has dismissed Dr. Burchardt's claim for compensation and damages against the Company, set aside the Change of Control Agreement on the grounds that it was entered into in violation of Dr. Burchardt's duties as a director under sections 120 and 122 of the Business Corporations Act (Alberta), and determined that he lacked jurisdiction to consider the Burchardt stock option claims, and tort claims for defamation and interference with economic relations.

Aspire Lawsuit

On May 10, 2022, the Company settled all litigation with, and closed the settlement agreement with, Aspire Health Science LLC, AJIA Global, LLC and Alan Jacobs, Jed Wood, Randi Wood, Blake Wood, Kyle Makofka, Reginald Cooper, and Kingsman Scientific Management.

Hemostemix Lawsuit: Accudata and Aspire

On July 2, 2020 counsel for the Company filed a preliminary injunction application in the United States District Court for the District of Delaware to obtain the return of the Company's data from Accudata Solutions ("Accudata"), and Aspire following Aspire's application to intervene. On March 30, 2021, the United States District Court for the District of Delaware has denied Aspire's Motion to Dismiss except as to Count VII (fraud), denied Accudata Motion to Dismiss in its entirety, and denied the Company's preliminary injunction application. The Court also denied Aspire's and Accudata's Motions to Stay, thereby allowing all claims against Aspire and Accudata, except Count VII, to proceed without further delay. On May 10, 2022, the Company settled all litigation with, and closed the settlement agreement with, Aspire Health Science LLC, AJIA Global, LLC and Alan Jacobs, Jed Wood, Randi Wood, Blake Wood, Kyle Makofka, Reginald Cooper, and Kingsman Scientific Management. The Company is now in possession of all of its intellectual property, including all HS 12-01 Phase II clinical trial data, all historical data from Hemostemix Israel, and the randomization tables that are required to analyse the North American and South African ACP-01 data. The Accudata matter has been settled.

Zenith Appraisal & Land Consulting Ltd. Lawsuit

On October 28, 2022, counsel for Company filed a statement of defense in the Court of King's Bench of Alberta, seeking dismissal of Zenith Appraisal and Land Consulting Ltd's claim for compensation, notwithstanding that its principal, Dave Wood, a former director of the Company signed a release following his resignation from the Board during April 2020. Zenith's claim is without merit and the Company will defend itself.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three Months Ended March 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

12. 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 key management personnel:

The Company recorded share-based compensation expense for the three months ended March 31, 2023 of \$2,616 (three months ended March 31, 2022 - \$160,975) to the current management and directors of the Company.

For the three months ended March 31, 2023, the Company incurred \$49,500 (three months ended March 31, 2022 - \$55,935) to Mr. Thomas Smeenck for consulting services. As at March 31, 2023, Mr. Smeenck was owed \$32,629 (December 31, 2022 - \$nil) and this amount was included in accounts payable and accrued liabilities.

For the three months ended March 31, 2023, the Company incurred \$7,886 (three months ended March 31, 2022 - \$3,980) to Marrelli Support Services Inc., a company which the CFO is related to. As at March 31, 2023, the Company owed \$2,674 (December 31, 2022 - \$nil) to Marrelli Support Services Inc. for accounting fees, and this amount was included in accounts payable and accrued liabilities.

During the three months ended March 31, 2023, the Company received advances totaling \$100,000 with an annual interest rate of 10% from a director of the Company.

13. Financial Instruments

Our financial instruments consist of cash, other receivables and accounts payable and accrued liabilities and loans payable. As at March 31, 2023, 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.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2023 and 2022

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(Unaudited)

13. Financial instruments (continued)

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 three months ended March 31, 2023 by approximately \$104,399 (three months ended March 31, 2022 - \$149,846).

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.

Balances in foreign currencies at March 31, 2023 are as follows:

	US Dollar
Cash	\$ 104,610
Accounts payable and accrued liabilities	(1,148,604)
Balance, March 31, 2023	\$ (1,043,994)

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.

As at March 31, 2023, the Company has a working capital deficit of \$2,574,779 (December 31, 2022 – \$2,156,398). As at March 31, 2023, the Company has an accumulated deficit of \$62,039,537 (December 31, 2022 - \$60,763,200) and is not yet generating operating cash flows. As such, there is material uncertainty about the ability of the Company to continue as a going concern. In order to continue as a going concern, the Company requires additional capital to fund ongoing operations and intends on continuing to raise additional funds through the issuance of equity and/or debt.