
HEMOSTEMIX INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
THREE AND SIX MONTHS ENDED
JUNE 30, 2024
(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 June 30, 2024	As at December 31, 2023
ASSETS		
Current Assets		
Cash	\$ 103,752	\$ 155,416
HST/GST receivable	20,727	25,059
Prepaid expenses	119,164	133,106
Total current assets	243,643	313,581
Non-current assets		
Equipment (note 5)	133	183
Intangible assets (note 4)	1	1
Total assets	\$ 243,777	\$ 313,765
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 3,497,772	\$ 2,876,568
Total current liabilities	3,497,772	2,876,568
Non-current liabilities		
Debentures (note 6)	4,616,904	4,321,504
Deferred income tax payable	486,921	486,921
Total liabilities	8,601,597	7,684,993
Shareholders' Deficiency		
Share capital (note 7)	42,481,424	42,481,424
Warrants (note 8)	992,412	1,487,187
Contributed surplus	12,428,531	11,925,470
Deficit	(64,260,187)	(63,265,309)
Total Shareholders' Deficiency	(8,357,820)	(7,371,228)
Total Liabilities and Shareholders' Deficiency	\$ 243,777	\$ 313,765

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 June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Operating expenses				
Research and development	\$ -	\$ 70,469	\$ 2,972	\$ 500,701
Consulting and salaries (note 12)	245,207	218,755	423,087	491,669
Stock-based compensation (note 9)	4,143	-	8,286	3,139
Marketing and office expenses (note 12)	12,006	25,408	92,662	211,542
Professional fees	88,779	178,567	142,274	417,415
Loss on settlement of debt through shares (note 7)	-	-	-	6,193
Travel	13,928	-	20,500	-
Foreign exchange loss (gain)	4,723	(104,815)	8,958	(67,416)
Finance expense (notes 6 and 10)	150,533	111,053	296,089	212,475
Write off of payables	-	(214,552)	-	(214,552)
Depreciation expense (note 5)	25	56	50	112
Net loss and comprehensive loss for the period	\$ (519,344)	\$ (284,941)	\$ (994,878)	\$ (1,561,278)
Basic and diluted net loss and comprehensive loss per share	\$ (0.006)	\$ (0.004)	\$ (0.011)	\$ (0.020)
Weighted average number of common shares outstanding - basic and diluted	87,122,318	81,200,473	87,122,318	76,340,890

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)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Operating activities		
Net loss for the period	\$ (994,878)	\$ (1,561,278)
Items not affecting cash:		
Stock-based compensation (note 9)	8,286	3,139
Finance expense	295,400	212,475
Depreciation expense (note 5)	50	112
Loss on settlement of debt through shares	-	6,193
Changes in non-cash working capital items:		
Prepaid expense	13,942	52,605
HST / GST receivable	4,332	126,092
Accounts payable and accrued liabilities	621,204	47,529
Net cash used in operating activities	(51,664)	(1,113,133)
Financing activities		
Proceeds from private placement (note 7)	-	1,165,940
Finders fees paid (note 7)	-	(47,027)
Exercise of warrants (note 8)	-	12,798
Net cash provided by financing activities	-	1,131,711
Net change in cash	(51,664)	18,578
Cash, beginning of period	155,416	135,746
Cash, end of period	\$ 103,752	\$ 154,324

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	Share Capital Amount	Warrants	Contributed Surplus	Deficit	Total
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)	7,174,833	1,101,167	17,746	-	-	1,118,913
Exercise of warrants	91,417	21,708	(8,910)	-	-	12,798
Common shares issued for debt	1,443,174	310,282	-	-	-	310,282
Issuance of warrants	-	(249,757)	249,757	-	-	-
Stock-based compensation (note 9)	-	-	-	3,139	-	3,139
Expiry of warrants	-	-	(816,875)	816,875	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(1,561,278)	(1,561,278)
Balance, June 30, 2023	84,452,443	\$ 42,265,189	\$ 2,109,238	\$ 11,065,175	\$ (62,324,478)	\$ (6,884,876)
Balance, December 31, 2023	87,122,318	\$ 42,481,424	\$ 1,487,187	\$ 11,925,470	\$ (63,265,309)	\$ (7,371,228)
Stock-based compensation (note 9)	-	-	-	8,286	-	8,286
Expiry of warrants	-	-	(494,775)	494,775	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(994,878)	(994,878)
Balance, June 30, 2024	87,122,318	\$ 42,481,424	\$ 992,412	\$ 12,428,531	\$ (64,260,187)	\$ (8,357,820)

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 and Six Months Ended June 30, 2024 and 2023 (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 four 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. Hemostemix Quebec Inc. has applied for grant funding of \$6 million, to locate production of ACP-01 in Montreal (see note 3).

The Company incurred a net loss of \$994,878 for the six months ended June 30, 2024, (six months ended June 30, 2023 - net loss of \$1,561,278) and had accumulated deficit of \$64,260,187 (December 31, 2023 - \$63,265,309). 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 June 30, 2024 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 August 29, 2024.

2. Material Accounting Policy

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, 2023.

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 and Six Months Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars) (Unaudited)

2. Material Accounting Policy (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.

3. Wholly-Owned Subsidiaries

Hemostemix has four 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 June 30, 2024 (December 31, 2023 - \$1,784) and current liabilities of \$nil as at June 30, 2024 (December 31, 2023 - \$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.

On August 29, 2023, the Company incorporated Hemostemix Quebec Inc. as a wholly-owned subsidiary. Hemostemix Quebec Inc. has applied for grant funding of \$6 million, to locate production of ACP-01 in Montreal.

4. 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, 2023 - \$1).

During the six months ended June 30, 2024, 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 Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

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

5. Equipment

	Computers
Cost	
Balance - December 31, 2022 and December 31, 2023	\$ 6,138
Balance - June 30, 2024	\$ 6,138
Accumulated depreciation	
Balance - December 31, 2022	\$ (5,732)
Depreciation for the year	(223)
Balance - December 31, 2023	\$ (5,955)
Depreciation for the period	(50)
Balance - June 30, 2024	\$ (6,005)
Net book value	
As at December 31, 2023	\$ 183
As at June 30, 2024	\$ 133

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars) (Unaudited)

6. 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	-	176,272	-
Balance at June 30, 2024	2,500	\$ 1,704,412	\$ 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 7). 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. There was no change in the classification of the convertible debt. No embedded and no fair value has been recalculated as of June 30, 2024. During the three and six months ended June 30, 2024, the Company incurred \$90,542 and \$176,272, respectively (three and six months ended June 30, 2023 - \$43,677 and \$90,025, respectively) of accretion expense, included in the consolidated Statements of Loss and Comprehensive Loss.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars) (Unaudited)

6. Loans and Borrowing (Continued)

(b) Convertible debenture

	Number of Debentures	Liability Component	Equity Component
Balance at December 31, 2023	2,750	\$ 2,793,363	\$ 7,922
Interest	-	109,698	-
Accretion	-	9,431	-
Balance at June 30, 2024	2,750	\$ 2,912,492	\$ 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 June 30, 2024. 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 7). No embedded and no fair value has been recalculated as of June 30, 2024. During the three and six months ended June 30, 2024, the Company incurred \$59,653 and \$119,129, respectively (three and six months ended June 30, 2023 - \$54,848 and \$109,095, respectively) of accretion expense, included in the consolidated Statements of Loss and Comprehensive Loss.

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.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars) (Unaudited)

7. Share Capital (continued)

(b) Issued and outstanding

	Number of common shares	Amount
Balance, December 31, 2022	75,743,019	\$ 41,081,789
Private placement net of share issuance costs (i)(iii)	7,174,833	1,101,167
Exercise of finder warrants (note 8)	91,417	21,708
Issuance of warrants (i)(iii)	-	(249,757)
Shares issued for debt (ii)	1,443,174	310,282
Balance, June 30, 2023	84,452,443	\$ 42,265,189

Balance, December 31, 2023 and June 30, 2024	87,122,318	\$ 42,481,424
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i) 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).

ii) 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 loss of \$6,193 in the consolidated statements of loss and comprehensive loss.

iii) In the second quarter of 2023, the Company closed a non-brokered private placement consisting of an aggregate of 3,362,833 units at a price of \$0.12 per Unit for gross proceeds of \$403,540. Each unit ("Unit") consisted of one common share, and one half of one common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of \$0.25 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 \$19,803 as well as granted 165,027 agent warrants with a fair value of \$11,037 which are exercisable for a period of 12 months from closing to acquire common shares at a price of \$0.12 per common shares (note 8).

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars) (Unaudited)

8. Warrants

The following table reflects the continuity of the investor warrants for the periods ended June 30, 2024 and 2023:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2022	73,677,134	\$ 0.50
Granted (a) (note 7 (b)(i)(iii))	5,493,417	0.53
Expired (c)	(22,512,881)	0.64
Balance, June 30, 2023	56,657,670	\$ 0.45
Balance, December 31, 2023	38,638,256	\$ 0.44
Expired (d)	(10,907,367)	0.42
Balance, June 30, 2024	27,730,889	\$ 0.33

A summary of the status of the Company's broker warrants as at June 30, 2024 and 2023 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2022	993,397	\$ 0.34
Exercised (e)	(91,417)	0.14
Expired (f)	(133,935)	0.20
Granted (a)(b), (note 7 (b)(i)(iii))	301,147	0.16
Balance, June 30, 2023	1,069,192	\$ 0.32
Balance, December 31, 2023	1,016,032	\$ 0.32
Expired (g)	(441,296)	0.22
Balance, June 30, 2024	574,736	\$ 0.39

a) 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.

b) In conjunction with the private placement on June 28, 2023, the Company issued 1,681,417 warrants that entitle the holder to acquire an additional common share at \$0.25 per share, and expiring in a 24 month period. The Company also granted 165,027 agent warrants which entitle the holder to acquire a purchase warrant at \$0.12 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 \$0.12, expected dividend yield of 0%, expected volatility of 103.57%, risk-free interest rates of 3.63%, and an average expected life of 12-24 months.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars) (Unaudited)

8. Warrants (continued)

- c) During the six months ended June 30, 2023, 22,512,881 warrants expired unexercised.
- d) During the six months ended June 30, 2024, 10,907,367 warrants expired unexercised.
- e) During the six months ended June 30, 2023, 91,417 broker warrants with a Black Scholes value of \$8,910, were exercised into 91,417 common shares for proceeds of \$12,798
- f) During the six months ended June 30, 2023, 133,935 broker warrants expired unexercised.
- g) During the six months ended June 30, 2024, 441,296 broker warrants expired unexercised.

As at June 30, 2024, the following warrants were issued and outstanding:

Expiry Date	Exercise Price (\$)	Number of Warrants and Broker Warrants
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
September 28, 2024	0.12	47,920
March 20, 2025	0.65	3,812,000
June 27, 2025	0.25	1,681,417
June 27, 2025	0.12	165,027
September 28, 2025	0.25	1,334,938
April 25, 2027	0.20	15,713,500
		28,305,625

9. Stock Options

	Number of Options	Weighted average exercise price
Balance, December 31, 2022 and June 30, 2023	6,775,694	\$ 0.60
Balance, December 31, 2023 and June 30, 2024	8,676,694	\$ 0.44

The Company has recognized an expense of \$4,143 and \$8,286, respectively for options vesting period during the three and six months ended June 30, 2024 (three and six months ended June 30, 2023 - \$nil and \$3,139, respectively), which is included in stock-based compensation expense on the consolidated statements of loss and comprehensive loss.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars) (Unaudited)

9. Stock Options (continued)

The following summarizes the stock options outstanding as at June 30, 2024:

	Number of Options #	Exercise Price \$	Weighted Average remaining life (years)
December 31, 2025	4,858,000	0.70	0.84
February 28, 2027	1,433,694	0.17	0.44
December 29, 2028	2,385,000	0.07	1.24
	8,676,694		2.52

10. Finance Expense

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Finance expenses:				
Financial expenses	338	1,391	688	1,391
Accretion expense (Note 6)	95,346	42,850	185,703	90,025
Interest expense (Note 6)	54,849	66,812	109,698	121,059
Total	150,195	109,662	295,401	211,084

11. Commitments and contingencies

Commitments

Clinical Trial Costs

In 2023, and continuing into 2024, 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.

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. The Company's position is that Zenith's claim is without merit, and it will defend its position vigorously.

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2024 and 2023 (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 and six months ended June 30, 2024 of \$1,308 and \$2,616, respectively (three and six months ended June 30, 2023 - \$nil and \$2,616, respectively) to the current management and directors of the Company.

For the three and six months ended June 30, 2024, the Company incurred \$49,500 and \$99,000, respectively (three and six months ended June 30, 2023 - \$49,500 and \$99,000, respectively) to Mr. Thomas Smeenck for consulting services. As at June 30, 2024, Mr. Smeenck was owed \$243,499 (December 31, 2023 - \$158,535) and this amount was included in accounts payable and accrued liabilities.

For the three and six months ended June 30, 2024, the Company incurred \$33,333 and \$95,833, respectively (three and six months ended June 30, 2023 - \$37,500 and \$75,000, respectively) to a consultant of the Company. As at June 30, 2024, they were owed \$194,092 (December 31, 2023 - \$96,394) and this amount was included in accounts payable and accrued liabilities.

For the three and six months ended June 30, 2024, the Company incurred \$1,635 and \$10,480, respectively (three and six months ended June 30, 2023 - \$22,415 and \$30,301, respectively) to Marrelli Support Services Inc., a company which the CFO is related to. As at June 30, 2024, the Company owed \$2,672 (December 31, 2023 - \$nil) to Marrelli Support Services Inc. for accounting fees, and this amount was included in accounts payable and accrued liabilities.

Please refer to note 6 for convertible debentures that is with a related party.

13. Financial Instruments

Our financial instruments consist of cash, other receivables and accounts payable and accrued liabilities and loans payable. As at June 30, 2024, 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).

Hemostemix Inc.

Notes to Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars) (Unaudited)

13. Financial Instruments (continued)

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 six months ended June 30, 2024 by approximately \$118,154 (six months ended June 30, 2023 - \$114,011).

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 June 30, 2024 are as follows:

	US Dollar
Cash	\$ 67,669
Accounts payable and accrued liabilities	(1,249,205)
Balance, June 30, 2024	\$ (1,181,536)

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 June 30, 2024, the Company has a working capital deficit of \$3,254,129 (December 31, 2023 – \$2,562,987). As at June 30, 2024, the Company has an accumulated deficit of \$64,260,187 (December 31, 2023 - \$63,265,309) 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.