HEMOSTEMIX INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Hemostemix Inc.:

Opinion

We have audited the consolidated financial statements of Hemostemix Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and other comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year December 31, 2021 and as of that date, the Company had a working capital deficiency and an accumulated deficit. 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.

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 related 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 skepticism 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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.

The engagement partner on the audit resulting in this independent auditor's report is Sandra Alison Solecki.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

May 2, 2022 — Licensed Public Accountants

Hemostemix Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2021	As at December 31, 2020
ASSETS		
Current Assets		
Cash	$ **219,445**	$ 257,951
Subscriptions receivable	**226,000**	1,928,415
HST/GST receivable	**116,700**	89,193
Other receivables and prepaid expenses	**-**	45,517
Total Current Assets	**562,145**	2,321,076
Non-current assets		
Equipment (note 5)	**901**	2,002
Intangible assets (note 4)	**1**	1
Total Assets	$ **563,047**	$ 2,323,079
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (note 14)	$ **4,365,035**	$ 3,246,775
Loans payable (note 7)	**-**	175,000
Total current liabilities	**4,365,035**	3,421,775
Non-current liabilities		
Debentures (note 7)	**1,481,807**	-
Total Liabilities	**5,846,842**	3,421,775
Shareholders' Deficiency		
Share capital (note 8)	**38,669,773**	37,893,756
Warrants (note 9)	**1,515,602**	1,537,421
Contributed surplus	**10,058,556**	8,712,132
Deficit	**(55,527,726)**	(49,242,005)
Total Shareholders' Deficiency	**(5,283,795)**	(1,098,696)
Total Liabilities and Shareholders' Deficiency	$ **563,047**	$ 2,323,079

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 events (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, 2021	Year Ended December 31, 2020
Operating expenses		
Research and development	**$ 179,900**	$ 650,050
Consulting (note 14)	**986,099**	927,804
Stock-based compensation (note 14)	**361,600**	2,321,587
Marketing and office expenses (note 14)	**493,271**	288,407
Professional fees and litigation disputes (note 13)	**4,584,752**	3,271,081
Loss on settlement of debt through shares (note 8)	**-**	79,862
Travel (note 14)	**49,099**	4,977
Foreign exchange (gain) loss	**(135,169)**	109,247
Finance expense (note 12)	**20,852**	113,034
Depreciation (note 5)	**1,101**	2,448
Net loss and comprehensive loss for the year before tax	**$ (6,541,505)**	$ (7,768,497)
Income Tax (Recovery)	**$ (255,784)**	-
Net loss and comprehensive loss for the year	**$ (6,285,721)**	$ (7,768,497)
Basic and diluted net loss and comprehensive loss per share	**$ (0.109)**	$ (0.241)
Weighted average number of common shares outstanding - basic and diluted	**57,449,873**	32,240,572

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, 2021	Year Ended December 31, 2020
Operating activities		
Net loss for the year	**$ (6,285,721)**	$ (7,768,497)
Items not affecting cash:		
Stock-based compensation (note 14)	**361,600**	2,321,587
Finance expense (note 7)	**20,852**	106,049
Depreciation (note 5)	**1,101**	2,448
Foreign exchange gain (loss)	**(135,169)**	109,247
Loss on settlement of debt through shares	**-**	79,862
Deferred tax recovery (note 11)	**(255,784)**	**-**
Changes in non-cash working capital items:		
Subscriptions receivable	**1,702,415**	(1,928,415)
Other receivables and prepaid expenses	**45,517**	(32,200)
HST / GST receivable	**(27,507)**	(26,745)
Accounts payable and accrued liabilities	**1,095,035**	1,161,637
Net cash (used in) operating activities	**(3,477,661)**	(5,975,027)
Issuance of loan receivable (note 6)	**(1,815,570)**	-
Repayment of loan receivable (note 6)	**1,986,686**	-
Net cash provided by investing activities	**171,116**	**-**
Financing activities		
Proceeds from issuance of convertible debentures (note 7)	**2,500,000**	-
Proceeds from private placements (note 8)	**839,923**	8,765,294
Finders' fees paid (note 8)	**(64,350)**	(706,859)
Exercise of warrants	**167,466**	-
Repayment of convertible debentures (note 7(b))	**-**	(576,863)
Repayment of loans (note 7)	**(175,000)**	(3,341,937)
Proceeds from loan (note 6)	**-**	2,069,279
Net cash provided by financing activities	**3,268,039**	6,208,914
Net change in cash	**(38,506)**	233,887
Cash, beginning of year	**257,951**	24,064
Cash, end of year	**$ 219,445**	$ 257,951

Supplemental Information		
Finders' warrants issued for services	**$ -**	$ 525,498
Shares issued to pay interest	**$ -**	$ 61,858
Shares issued to settle debt	**$ -**	$ 329,737

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 Number	Share Capital Amount	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2019	15,044,931	$ 31,034,212	$ 439,707	$ 5,954,450	$ (41,473,508)	$ (4,045,139)
Issuance of common shares in private placement, net of issuance costs	39,241,349	7,564,478	-	-	-	7,564,478
Issuance of warrants	-	(1,034,671)	1,034,671	-	-	-
Issuance of broker warrants	-	-	499,138	-	-	499,138
Common shares issued for debt	1,249,372	329,737	-	-	-	329,737
Stock-based compensation	-	-	-	2,321,587	-	2,321,587
Expiry of warrants	-	-	(436,095)	436,095	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(7,768,497)	(7,768,497)
Balance, December 31, 2020	**55,535,652**	**$ 37,893,756**	**$ 1,537,421**	**$ 8,712,132**	**$ (49,242,005)**	**$ (1,098,696)**
Balance, December 31, 2020	**55,535,652**	**$ 37,893,756**	**$ 1,537,421**	**$ 8,712,132**	**$ (49,242,005)**	**$ (1,098,696)**
Issuance of common shares in private placement, net of issuance costs	2,833,354	717,682	-	-	-	717,682
Exercise of broker warrants	781,856	280,546	(126,625)	7,485	-	161,406
Issuance of warrants	-	(222,211)	222,211	-	-	-
Stock-based compensation	-	-	-	361,600	-	361,600
Expiry of warrants	-	-	(488,833)	488,833	-	-
Debentures issued – equity component, net of issuance cost	-	-	371,428	488,506	-	859,934
Net loss and comprehensive loss for the year	-	-	-	-	(6,285,721)	(6,285,721)
Balance, December 31, 2021	**59,150,862**	**$ 38,669,773**	**$ 1,515,602**	**$ 10,058,556**	**$ (55,527,726)**	**$ (5,283,795)**

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

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 two wholly-owned subsidiaries. Kwalata Trading Limited (“Kwalata”), incorporated under the laws of Cyprus, was established to own intellectual property ("IP”). On October 1, 2018, 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 (see note 3).

The Company incurred a net loss of $6,285,721 for the year ended December 31, 2021, (December 31, 2020 - net loss of $7,768,497) and had accumulated deficit of $55,527,726 (December 31, 2020 - $49,242,005). The Company used cash in operating activities of $3,477,661 (December 31, 2020 - $5,975,027) and, as of that date the Company’s current liabilities exceeded their current assets by $3,802,890 (December 31, 2020 – $1,100,699). 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 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, 2021 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.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods. COVID restricted travel and caused some related delays in business development.

2. Significant Accounting Policies

Statement of Compliance
These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the international accounting standards Board ("IASB") and are issued as of May 2, 2022, the date the Board of Directors approved the consolidated financial statements.

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 and Hemostemix Ltd. 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 intercompany 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 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.

2. Significant Accounting Policies (Continued)

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:

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. Convertible debentures require an estimation of the fair value of a similar liability that does not have an equity conversion option. The carrying amount is determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole. Significant judgment is required when accounting for the redemption, conversion or modification of these instruments.

Financial Instruments

Financial instruments of the Company consist of cash, other receivables, subscriptions receivable, accounts payable and accrued liabilities, convertible debentures, and loans payable.

<u>Classification and measurement</u>

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 statement of loss and comprehensive loss.

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 statement 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 statement of loss and comprehensive loss.

2. Significant Accounting Policies (Continued)

Classification and measurement (continued):

Financial Assets (continued):

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 statement 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 statement 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 statement 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 statement 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 statement of loss and comprehensive loss and presented net within other gains or losses in the period in which it arises.

Our financial assets include cash, subscription receivable 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. The Company's accounts payable and accrued liabilities, convertible debentures and loans payable are measured at amortized cost.

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 holder, 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 statement 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.

2. Significant Accounting Policies (Continued)

Financial Instruments (continued)

Impairment (continued)

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.

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 statement 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.

2. Significant Accounting Policies (Continued)

Share-based compensation (continued)
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 statement 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.

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.

2. Significant Accounting Policies (Continued)

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

Convertible debentures are initially recorded at amortized cost and accounted for as compound financial instruments with separable debt 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 statement of loss and comprehensive loss.

Changes in Accounting Policies and disclosure

New accounting standard not yet adopted

<u>IAS 1 Classification of Liabilities as Current or Non-Current (Amendment)</u>

The IASB has published Classification of Liabilities as Current or Non-Current (amendments to IAS1) 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.

The Amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

3. Wholly-Owned Subsidiaries

Hemostemix has two wholly-owned subsidiaries. On October 1, 2018, 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 December 31, 2021 (December 31, 2020 - $1,784) and current liabilities of $nil as at December 31, 2021 (December 31, 2020 - $nil).

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 as per the 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.

(Expressed in Canadian Dollars)

4. Intangible Assets (continued)

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, 2020 - $1).

During the year ended December 31, 2021, 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

5. Equipment

Cost		
Balance – December 31, 2019, and December 31, 2020	$	6,138
Balance – December 31, 2021	**$**	**6,138**
Accumulated depreciation		
Balance – December 31, 2019	$	(1,688)
Additions		(2,448)
Balance – December 31, 2020	$	(4,136)
Additions		(1,101)
Balance – December 31, 2021	**$**	**5,237)**
Net book value		
As at December 31, 2020	$	2,002
As at December 31, 2021	**$**	**901**

(Expressed in Canadian Dollars)

6. Loan receivable

On June 11, 2021, the Company provided an unsecured demand loan in the amount of $1,815,570 ($1,500,000 USD) to an arm's length US Company at an interest rate of 8%, repayable on June 1, 2023. During the year ended December 31, 2021, the Company recorded $73,060 of interest income (year ended December 31, 2020 - $nil), which has been netted with the finance expense in the consolidated statements of loss and comprehensive loss. As of December 31, 2021, the balance was paid in full.

7. Loans and Borrowing

(a) Secured Credit Facility:

On August 12, 2019, the Company obtained a loan agreement providing up to $2 million in funding at an annual interest rate of 12%. Advances totaling $1,437,911 were made to the Company which were paid in full as at December 31, 2020. The Loan was secured by general security agreement over the personal property of the Company. During the year ended December 31, 2021, the Company recorded $nil of interest expense (year ended December 31, 2020 - $51,403) which has been recorded as finance expense in the consolidated statements of loss and comprehensive loss. As at December 31, 2021, there is no outstanding balance on these advances.

On March 9, 2020, the Company received advances totaling $1,700,000 with an annual interest rate of 12% from a director of the Company, these amounts were unsecured. The interest balance outstanding on the loan was repaid in shares and cash in December 2020. During the year ended December 31, 2021, the Company incurred $nil of interest expense (year ended December 31, 2020 - $42,510) which has been recorded as finance expense in the consolidated statements of loss and comprehensive loss. As at December 31, 2021, there is no outstanding balance on these advances.

On November 9, 2020, the Company received two short term advances totaling $150,000 with an annual interest rate of 10% from two directors of the Company. This balance was fully repaid on December 15, 2020. During the year ended December 31, 2021, the Company incurred $nil interest expense (year ended December 31, 2020 - $nil). As at December 31, 2021, there was a balance outstanding of $nil.

On December 30, 2020, the Company received interest free advances totaling $175,000 from a consultant of the Company, these amounts were unsecured. During the year ended December 31, 2021, the Company repaid these advances. As at December 31, 2021, there is no outstanding balance on these advances.

On December 31, 2020, the Company received interest free advances totaling $194,279 from a director of the Company, these amounts were unsecured, and included in accounts payable and accrued liabilities. During the year ended December 31, 2021, the Company repaid the advances. As at December 31, 2021, there is no outstanding balance on these advances.

(b) Convertible Debenture:

	Number of Convertible Debentures	Liability Component	Equity Component
Convertible debentures, balance at December 31, 2019	**525**	$ 564,698	$ 3,611
Interest	**-**	12,165	-
Repayment	**(525)**	(576,863)	-
Balance at December 31, 2020	**-**	**$ -**	**$** 3,611

(Expressed in Canadian Dollars)

7. Loans and Borrowing (Continued)

(b) Convertible Debenture (continued):

On May 15, 2019, the Company completed the first closing of a $1,000,000 non-brokered private placement of convertible debentures (‘the Debentures”), in the principal amount of $525,000. Each Debenture consists of $1,000 aggregate principal amount of secured, nontransferable, convertible, redeemable debentures maturing on December 31, 2019 and bear interest at a rate of 12% per annum. During the year ended December 31, 2020, the Company repaid 525 of the Debentures which were outstanding with a principal balance and interest of $576,863. As at December 31, 2021, there are no outstanding Debentures.

(c) Debenture:

	Number of Debentures	Liability Component	Equity Components
Issuance of debentures	**2,500**	$ 1,387,894	$ 859,934
Interest and accretion	**-**	93,913	-
Balance at December 31, 2021	**2,500**	**$ 1,481,807**	**$ 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.

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 at December 31, 2021 as liability component is measured at amortized cost after initial recognition. The fair value of the equity components as of December 31, 2021 is $859,934 which is net of deferred tax recovery of $255,788. Accretion and interest on the debentures are included in finance expense in the consolidated statements of loss and comprehensive loss. No embedded derivative and no fair value has been recalculated at December 31, 2021.

(Expressed in Canadian Dollars)

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.

On December 30, 2020, the Company completed a share consolidation of its share capital on a basis of twenty (20) then existing common shares for one (1) new common share. All common shares, per common share amounts, warrants and stock options in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

(b) Issued and outstanding

	Number of common shares	Amount
Balance, December 31, 2019	**15,044,931**	**$ 31,034,212**
Private placement net of share issuance costs	39,241,349	7,564,478
Fair value of warrants (i)(ii)(iii)(iv)	-	(1,034,671)
Shares issued for debt (v)	1,249,372	329,737
Balance, December 31, 2020	**55,535,652**	**$ 37,893,756**
Balance, December 31, 2020	**55,535,652**	**$ 37,893,756**
Private placement net of share issuance costs (vi)(vii)(viii)	2,833,354	717,682
Exercise of finder warrants (note 8(c))	781,856	280,546
Issuance of warrants (vi)	-	(222,211)
Balance, December 31, 2021	**59,150,862**	**$ 38,669,773**

i) In the first quarter of 2020, the Company closed a non-brokered private placement consisting of an aggregate of 13,618,522 units at a price of $0.20 per Unit for gross proceeds of $2,723,044. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $220,311 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $113,915 as well as granted 569,576 agent warrants with a fair value of $87,816, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.20 per unit (note 9).

ii) In the second quarter of 2020, the Company closed a non-brokered private placement consisting of an aggregate of 7,844,625 units at a price of $0.20 per Unit for gross proceeds of $1,568,925. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $191,182 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $46,296 as well as granted 231,480 agent warrants with a fair value of $39,489, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.20 per unit (note 9).

8. Share Capital (continued)

(b) Issued and outstanding (continued)

iii) In the third quarter of 2020, the Company closed a private placement consisting of an aggregate of 1,332,500 units at a price of $0.20 per Unit for gross proceeds of $266,500. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $10,996 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $16,800 as well as granted 84,000 agent warrants with a fair value of $6,492, which are exercisable for a period of 12 months from closing, to acquire units at a price of $1.00 per unit (note 9).

iv) On November 25, 2020, the Company closed a private placement consisting of 918,450 units at a price of $0.20 per Unit for gross proceeds of $183,690. Each unit consisted of one common share and one common share purchase warrant. Purchase warrants were valued at $8,233 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months.

On December 18, 2020, the Company closed a private placement consisting of 6,360,585 units at a price of $0.20 per Unit for gross proceeds of $1,272,117. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $105,498 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees of aggregate cash finder's fees of approximately $40,180 as well as granted 240,900 agent warrants with a fair value of $6,810, which are exercisable for a period of 12 months from closing, to acquire units at a price of $1.00 per unit (note 9).

On December 31, 2020, the Company closed a private placement consisting of 9,166,667 units at a price of $0.30 per Unit for gross proceeds of $2,750,000. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $498,451 which entitles the holder to acquire one common share at a price of $1.00 per common share, for a period of 12 months. In connection with the private placement, the Company paid eligible finders fees aggregate cash finder's fees of approximately $218,320 as well as granted 733,334 agent warrants with a fair value of $362,142, which are exercisable for a period of 12 months from closing, to acquire units at a price of $0.30 per unit (note 9).

v) During the year ended 2020, the Company issued 1,249,372 common shares at a deemed unit price of $0.20 per common share to settle $249,875 of debt owed to various arm's length parties and one non-arm's length party of the Company. The Company incurred total losses of $79,862 in the consolidated statement of loss and comprehensive loss on the debt settlements.

vi) During the year ended 2020, the Company incurred additional share issuance costs of $262,198 which were related to the financings completed during the year.

vii) In the second quarter of 2021, the Company closed a non-brokered private placement consisting of an aggregate of 1,257,234 units at a price of $0.35 per unit for gross proceeds of $440,032. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $118,652 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 $26,083 as well as granted 74,522 agent warrants with a fair value of $5,714, which are exercisable for a period of 24 months from closing, to acquire units at a price of $0.35 per unit (note 9).

viii) In the third quarter of 2021, the Company closed a non-brokered private placement consisting of an aggregate of 82,150 units at a price of $0.35 per unit for gross proceeds of $28,752. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $7,732 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 $nil finders fees.

(Expressed in Canadian Dollars)

8. Share Capital (continued)

(b) Issued and outstanding (continued)

ix) In the third quarter of 2021, the Company closed a non-brokered private placement consisting of an aggregate of 1,494,000 units at a price of $0.25 per unit for gross proceeds of $373,500. Each unit consisted of one common share, and one common share purchase warrant. Purchase warrants were valued at $73,151 which entitles the holder to acquire one common share at a price of $0.55 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 $25,270 as well as granted 101,080 agent warrants with a fair value of $9,477, which are exercisable for a period of 24 months from closing, to acquire units at a price of $0.25 per unit (note 9).

9. Warrants

The following table reflects the continuity of the investor warrants for the years ended December 31, 2021 and 2020:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	**-**	**$ -**
Granted (a)(b)	39,241,349	1.00
Balance, December 31, 2020	**39,241,349**	**$ 1.00**
Granted (c) and note 8(b)(iii)(iv)(v) and note 7(b)	9,696,840	0.53
Expired (c)	(7,070,956)	0.84
Exercised		
Balance, December 31, 2021	**41,867,233**	**$ 0.63**

A summary of the status of the Company's broker warrants as at December 31, 2021 and 2020 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	**196,743**	**$ 2.20**
Granted (a)(b) and note 8(b)(iii)	1,859,290	0.02
Expired (b)	(196,743)	(1.00)
Balance, December 31, 2020	**1,859,290**	**$ 0.02**
Exercised (c)	(781,856)	0.20
Expired (d)	(1,338,680)	0.61
Granted (note 8 (b)(iii)(iv)(v))	436,848	0.72
Balance, December 31, 2021	**175,602**	**$ 0.29**

9. Warrants (continued)

a) In conjunction with the private placement in March 2020, the Company issued 13,618,522 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 569,576 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 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: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 1.5%-1.56%, and an average expected life of 12 months.

b) In conjunction with the private placement in May 2020, the Company issued 7,844,625 warrants that entitle the holder to acquire an additional common share at $1.00 per share, and expiring in a 12 month period. The Company also granted 231,480 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.20 per Unit and expiring in a 12 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $1.00 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: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rates of 1.28%-1.35%, and an average expected life of 12 months.

c) During the year ended December 31, 2021, 781,856 broker warrants with a Black Scholes value of $126,625 were exercised into 781,856 common shares for proceeds of $167,466 and 781,856 investor warrants, with a value of $nil were issued. The investor warrants are exercisable into one common share at an exercise price of $1.00 per common share and expired in March 2021.

d) During the year ended December 31, 2021, 1,338,680 broker warrants expired unexercised.

e) On February 11, 2021, the Company amended the exercise price and expiration date of outstanding warrants previously issued in connection with non-brokered private placements which closed on March 5, 2020 and March 25, 2020. Subject to the accelerator provisions and restrictions applicable, a total of 12,731,022 warrants that were subject to expire on March 5, 2021, of which, 8,412,812 were repriced to $0.55 and 4,318,210 remained at $1.00 and the expiry date was extended to March 5, 2023. The warrants that were subject to expire on March 25, 2021 were repriced to $0.55 each and the expiry date was extended to March 25, 2023.

f) On May 6, 2021, subject to TSXV approval, the Company amended the exercise price and expiration date of outstanding warrants previously issued in connection with non-brokered private placements which closed on May 7, 2020 and May 28, 2020. The amendment request for the May 7, 2020 warrants was not approved by the TSXV and these warrants expired unexercised. Subject to the accelerator provisions and restrictions applicable, of the warrants that were subject to expire on May 28, 2021, 852,213 were repriced to $0.55 and the expiry date was extended to May 28, 2023, and 534,912 remained at $1.00 and the expiry date was extended to May 28, 2023.

g) On June 11, 2021, the Company issued 6,250,000 warrants in association with the June 11, 2021 Convertible Debenture that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 month period. Refer to note 7(c).

h) On July 5, 2021, the Company has extended for two years and repriced to $0.55 from $1, subject to the accelerator provision, on all repriced warrants, 1,332,500 Warrants expiring July 9, 2021, 918,450 warrants expiring November 24, 2021 of which 510,295 warrants are repriced to $0.55, 408,155 remained at $1.00 and were extended to November 24, 2023, 6,360,585 warrants expiring December 18, 2021, repricing 4,331,683 warrants and 2,028,902 remained at $1.00 and were extended to December 18, 2023, 9,166,667 warrants expiring December 31, 2021, repricing 8,513,334 warrants, 653,333 warrants remained at $1.00 and were extended to December 31, 2023..

(Expressed in Canadian Dollars)

9. Warrants (continued)

i) In conjunction with the private placement on May 10, 2021, the Company issued 1,257,234 warrants that entitle the holder to acquire an additional common share at $0.40 per share and expiring in a 24 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $0.40 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 0.29%, and an average expected life of 24 months.

j) In conjunction with the private placement on September 8, 2021, the Company issued 82,150 warrants that entitle the holder to acquire an additional common share at $0.40 per share, and expiring in a 24 month period. The purchase warrant embedded in the Unit entitle the holder to acquire an additional common share at $0.40 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 0.29%, and an average expected life of 24 months.

k) In conjunction with the private placement on September 21, 2021, the Company issued 1,494,000 warrants that entitle the holder to acquire an additional common share at $0.55 per share, and expiring in a 24 month period. The Company also granted 101,080 agent warrants which entitle the holder to acquire an additional Unit, consisting of one common share and one purchase warrant at $0.25 per Unit 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 0.44%, and an average expected life of 24 months.

As at December 31, 2021, the following warrants were issued and outstanding:

Expiry Date	Exercise Price ($)	Number of Warrants and Broker Warrants
March 5, 2023	1.00	4,318,210
March 5, 2023	0.55	8,412,812
March 25, 2023	0.55	887,500
May 10, 2023	0.40	1,257,234
May 10, 2023	0.35	74,522
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
		42,042,835

(Expressed in Canadian Dollars)

10. Stock Options

	Number of Options	Weighted average exercise price
Balance, December 31, 2019	**1,039,187**	**$ 1.20**
Granted (a)	5,274,500	-
Forfeiture (a)	(971,687)	(1.60)
Balance, December 31, 2020 and December 31, 2021	**5,342,000**	**$ 0.70**

a) During the year ended December 31, 2020, there was a forfeiture of 971,687 stock options at a price of $1.00 as a result of the former CEO of the Company's resignation. During the year ended December 31, 2020, there was a forfeiture of an aggregate of 741,687 stock options at a price of $1.00, 177,500 stock options at a price of $2.00, and 52,500 stock options at a price of $1.60 as a result of the resignation of six employees.

b) On December 31, 2020, the Company granted 5,274,500 stock options to various officers, directors and consultants of the Company. The stock options granted have an exercise price of $0.70 and an expiry date of December 31, 2025. 3,887,100 of these stocks will vest immediately. The remaining 1,387,400 stock options will vest 50% immediately with the remaining 50% fully vested on December 31, 2021. The fair value of the stock options were estimated on the date of grant using the Black Scholes model with the following assumptions: expected volatility of 100%, risk-free interest rate of 1.14% and an average expected life of 5 years.

The Company has recognized an expense of $361,600 for options vesting period during the year ended December 31, 2021 (year ended December 31, 2020 - expense $2,321,587), 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 December 31, 2021:

	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	3.96
	5,342,000		**3.98**

11. Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 23% (2020 - 25%) to the effective tax rate is as follows:

	2021	2020
(Loss) before income taxes	**$ (6,541,505)**	$ (7,768,497)
Expected income tax (recovery)	**(1,504,550)**	(1,942,120)
Stock-based compensation and non-deductible expenses	83,536	580,460
Share issuance cost booked directly to equity	(33,874)	(300,110)
Change in tax benefits not recognized	1,199,100	1,661,770
Income tax (recovery)	**$ (255,784)**	$ -

(Expressed in Canadian Dollars)

11. Income Tax (continued)

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

	2021	2020
Property, plant and equipment	**$ 11,840**	$ 10,740
Share issue costs	**838,100**	1,381,900
Undepreciated tax costs of intangible assets	**14,627,610**	14,627,610
Operating tax losses carried forward	**40,885,610**	35,080,380
	$ 56,363,158	$ 51,100,630

The Canadian non-capital loss carry forwards expire as noted in the table below.

Share issuance costs will be fully amortized in 2025

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	$ 2,179,592
2027	900,119
2028	642,596
2029	1,340,245
2030	661,799
2031	1,307,720
2032	572,058
2033	2,145,682
2034	279,002
2035	2,948,178
2036	2,842,549
2037	1,904,493
2038	5,115,014
2039	5,033,918
2040	6,105,820
2041	6,906,825
	$ 40,885,610

(Expressed in Canadian Dollars)

12. Finance Expense

	December 31, 2021	December 31, 2020
Finance expenses:		
Interest on convertible debentures, loans, bank and other	$ -	$ 106,049
Accretion on convertible debentures	-	-
Financial expenses	83,425	6,895
Accretion expense	10,487	-
Interest income	(73,060)	
Balance, December 31, 2021	**$ 20,853**	**$ 113,034**

13. Commitments and contingencies

Commitments

Clinical Trial Costs
In 2020, the Company averaged approximately $80,000 per month for activities related to our clinical trial such as manufacturing, contract research, software and patient care. In 2021, the clinical trial costs dropped to an average of approximately $15,000 per month, as more patients were completing their 12 months of follow up. The timing and dollar amount can vary by month depending on amount of clinical trial activity taking place. In 2022 the monthly cost of patient follow ups will continue to decline as the patient follow ups are completed.

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.

Aspire Lawsuit
On January 28, 2020, Aspire Health Sciences, LLC ("Aspire") filed a lawsuit against the Company in the Circuit Court of the Ninth Judicial Circuit (the "Florida Court") in Orange County Florida. This suit asserts claims regarding the Amended and Restated Licence Agreement between Aspire and the Company dated September 30, 2019 (note 4). The Company believes the Florida Court action is frivolous, without merit, and it intends to vigorously defend its position. On June 28, 2021, the Ninth Judicial Circuit Court of Orange County, Florida, denied Aspire's motion to compel production of documents from Hemostemix and the Court awarded Hemostemix its fees and costs incurred in defending against Aspire's motion. Hemostemix has filed for the Court's consideration a fee petition and answering brief that quantifies the fees and costs incurred. On August 10, 2021, the Court of Appeal of the State of Florida Fifth District affirmed the decision of John E. Jordan. In October, the Company and Aspire filed its motion for Summary Judgement.

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.

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 key management personnel:

A former management contractor was reimbursed $nil in travel and office maintenance expense during the year ended December 31, 2021 (year ended December 31, 2020 - $23,651).

The Company recorded share-based compensation expense for the year ended December 31, 2021 in the amount of $nil (year ended December 31, 2020 - expense of $64,124) to a former management contract Company and personnel.

The Company recorded share- b a s e d compensation expense for the year ended December 31, 2021 of $288,996 (year ended December 31, 2020 - $2,385,711) to the current management and directors of the Company.

As at December 31, 2021, the Company had $1,044,564 in accounts payable and accrued liabilities owing to the previous management Company, previous contract manufacturing Company, and previous Chief Medical Officer (December 31, 2020 - $1,044,544). The majority of this balance arose based on expenses paid on behalf of the Company. Some of these expenditures are subject to dispute. Please see note 13.

On December 30, 2021, the Company sold their unsecured demand loan of $1,000,000 USD plus accrued interest with an annual interest rate of 8% to a director of the Company. Please see note 6.

For the year ended December 31, 2021, the Company incurred $223,740 (year ended December 31, 2020 - $277,077) to Mr. Thomas Smeenk, CEO, for consulting services. As at December 31, 2021, Mr. Smeenk was owed
$9,323 (December 31, 2020 - $31,841) and this amount was included in accounts payable and accrued liabilities.

15. Financial instruments

Our financial instruments consist of cash, subscription receivable, other receivables and accounts payable, debentures and accrued liabilities and loans payable. As at December 31, 2021, 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).

(Expressed in Canadian Dollars)

15. 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 mitigates 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, 2021 by approximately $(272,734) (year ended December 31, 2020 - $209,663).

The Company mitigates 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 December 31, 2021 are as follows:

		US Dollar
Cash	$	182,374
Accounts payable and accrued liabilities		(2,909,714)
Balance, December 31, 2021	**$**	**(2,727,340)**

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

As at December 31, 2021, the Company has a working capital deficit of $3,802,890 (December 31, 2020 – $1,100,699). As at December 31, 2021, the Company has an accumulated deficit of $55,527,726 (December 31, 2020 - $49,242,005) 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.

(Expressed in Canadian Dollars)

15. Financial instruments (continued)

Liquidity risk (continued)

	2021	2022	2023	2024	2025	Thereafter
Accounts payable and accrued liabilities	$4,365,035	$ -	$ -	$ -	$ -	$ -
Convertible debt (Note 7)	$83,420	$150,000	$150,000	$150,000	$150,000	$2,716,580
Total	$4,448,455	$150,000	$150,000	$150,000	$150,000	$2,716,580

Capital risk management

The Company's objectives when management capital are the following;

- Ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans.
- Maintaining healthy liquidity reserves and access to capital; and,
- Minimizing the after-tax cost of capital while taking into consideration current and future industry, market, and economic risks and conditions.

To assess its effectiveness in managing capital, management monitors certain key ratios to ensure they are within targeted ranges.

The Company defines its capital as its equity. Its capital management objectives and approach were unchanged during the year-end.

16. Subsequent Events

On February 28, 2022, the Company announced that it has closed its non-brokered private placement of units ("Units") for gross proceeds of $1,204.849 ("Unit Offering"). The Unit Offering consists of the issuance of 8,606,071 Units at a price of $0.14 per Unit. Each Unit of the Offering is comprised of one common share in the capital of the Company and one common share purchase warrant. Each full warrant will entitle the holder to acquire one additional common share in the capital of the Company at a price of $0.40 per Warrant for a period of 24 months from the date the Units are issued. In connection with the Offering, the Company paid eligible finders aggregate cash finders fees of approximately $44,362 and issued 316,874 finders' options to purchase Common Shares of the Company at an exercise price of $0.14 per Common Share within 24 months from the closing date of the offering.

On February 28, 2022, the Company had approved a total of 1,433,694 stock options to purchase common shares of the Company to directors, officers, employees and consultants of the Company. Of the options granted, 1,133,694 vest immediately and 300,000 vest 50% immediately and 50% on February 28, 2023. All options were granted with an exercise price of $0.17 per common share and have an expiry date of February 28, 2027.

On March 3, 2022, the Company announced that it has paid interest of $84,114 by issuing 442,708 common shares at a price of $0.19 per share, to the convertible debenture holder in satisfaction of interest due on the outstanding principal amount of #2,500,000 for the period from inception, June 11, 2021 to December 31, 2021.

16. Subsequent Events (continued)

On March 24, 2022, the Company announced that it has entered into a settlement agreement with Aspire, and certain other persons, to settle all pending litigation with Aspire and other certain persons, including the Delaware Federal Action, the Florida State Action and the Florida Federal Action involving those persons. If and when closing of the Settlement Agreement occurs, Aspire, and other signatories to the Settlement Agreement, are required to return all data and intellectual property in relation to ACP-01 in their possession to the Company. The Settlement Agreement also calls for the performance of a data audit by the Company in relation to the ACP-01 Data in order to review the ACP-01 Data to be returned to the Company, which Data Audit is currently underway. The Company has accrued an amount for the settlement in accrued liabilities.

On April 12, 2022, the Company announced that it has completed the audit of ACP-01 clinical trial data and intellectual property held by Aspire and Accudata and that they are complete and appear to be free of manipulation in any way.

On April 25, 2022, the Company announced that it has closed a $2,750,000 non-brokered secured convertible debenture unit offering pursuant to which the Company issued 2,750 debenture units at a price of $1,000 per Debenture Unit. Each Debenture Unit consists of a $1,000 principal amount secured convertible debenture and 5,714 transferrable common share purchase warrants of the Company. The principal amount of the Debentures may be convertible 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 the market price, but not less than the conversion price of the Debenture. 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 Debenture will mature five years from the closing date and will bear interest at a rate of 8% per annum, payable quarterly in arrears in cash or common shares in the capital of the Company at the option of the Company.