Hemostemix Announces a $2,500,000 Lead Order and its Clinical Trial and Litigation Updates

written by Raj Shah | April 10, 2021

April 9, 2021 (Source) – Hemostemix Inc. (TSXV: HEM) (OTC: HMTXF) (FSE: 2VF0) ("**Hemostemix**" or the "**Company**") is pleased to announce that it has secured a $2,500,000 lead order from a director for Debenture Units, and intends to raise gross proceeds of up to $4,000,000 from the non-brokered Offerings of Units and Debenture Units, all as discussed below. The Company is progressing with completion of the phase II clinical trial data entry, source document verification, and statistical analyses. The United States District Court for the District of Delaware has ruled Hemostemix's claims against Aspire and Accudata, except Count VII (fraud), are permitted to proceed (motions to stay and motions to dismiss denied) and the Company's preliminary injunction application was also denied. Accudata and Aspire must now answer the amended complaint by Monday, April 12, 2021.

CLINICAL TRIAL UPDATE

The last subject of the trial who was originally scheduled to complete the remaining follow-up visit in March is now, due to COVID-19 impacts, scheduled to complete the follow-up visit in mid-April. The 17 clinical trial sites have completed the data entry of 84% of the clinical trial subjects. The source document verification process is 20% complete and the Company is in the process of contracting several additional clinical resource associates to complete the source document

verifications.

$1,000,000 NON-BROKERED PRIVATE PLACEMENT

Hemostemix is pleased to announce a non-brokered private placement of units ("**Units**") for gross proceeds of up to $1,000,000 (the "**Unit Offering**"), subject to TSX Venture Exchange (the "**Exchange**") approval. The Unit Offering consists of the issuance of an aggregate of up to 2,000,000 Units at a price of $0.50 per Unit. Each Unit consists of one common share in the capital of the Company ("**Common Share**") and one transferrable Common Share purchase warrant ("**Warrant**"), with each full Warrant entitling 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 Unit Offering, subject to the accelerated expiry provision described as follows. If on any 10 consecutive trading days occurring after four months and one day has elapsed following the closing date of the Unit Offering the weighted-average trading price of the Common Shares as quoted on the Exchange is greater than $0.66 per Common Share, the Company may provide notice in writing to the holders of the Warrants by issuance of a press release that the expiry date of the Warrants will be accelerated to the 30th day after the date on which the Company issues such press release. The proceeds from the Unit Offering are expected to pay finder fees payable in connection with the closing ($80,000), clinical trial costs accounts payable ($400,000) and general working capital ($520,000). There is no minimum aggregate subscription amount for the Unit Offering. The Company may pay finders fees to eligible finders of up to 8% cash and 8% Finder Warrants. Each Finder's Warrant may be exercised to acquire a Unit of the Unit Offering.

The Unit Offering will be completed pursuant to certain exemptions from the prospectus requirements under applicable securities laws. Subject to acceptance by the Company, in

addition to other available exemption for the Unit Offering, the Unit Offering is open to all existing shareholders of the Company in reliance upon the prospectus exemption described in Alberta Securities Commission Rule 45-516 "*Prospectus Exemptions For Retail Investors And Existing Security Holders*" and set forth in the various corresponding blanket orders and rules in certain jurisdictions of Canada (the "**Existing Shareholder Exemption**"), subject to the terms and conditions therein. The aggregate acquisition cost to a subscriber under the Existing Shareholder Exemption cannot exceed $15,000 unless that subscriber has obtained advice from a registered investment dealer regarding the suitability of the investment. The Company has fixed April 08, 2021 as the record date for the purpose of determining existing shareholders of the Company who are entitled to participate in the Unit Offering pursuant to the Existing Shareholder Exemption. Subscribers purchasing Units under the Existing Shareholder Exemption will need to represent in writing that they meet certain requirements of the Existing Shareholder Exemption, including that on or before the record date, they became a shareholder of the Company and that they continue to be a shareholder of the Company. In accordance with the requirements of the Existing Shareholder Exemption and Investment Dealer Exemption, the Company confirms there is no material fact or material change related to the Company which has not been generally disclosed.

$3,000,000 UNSECURED CONVERTIBLE DEBENTURE (CONVERTIBLE AT THE OPTION OF HEMOSTEMIX)

Hemostemix is also pleased to announce it is also proceeding with a non-brokered private placement of up to a maximum of $3,000,000 principal amount unsecured convertible five year debentures (the "**Debenture Offering**"), with conversion at the option of Hemostemix, subject to Exchange approval. The Debenture Offering consists of an aggregate of up to 3,000

debenture units (each, a "**Debenture Unit**") at a price of $1,000 per Debenture Unit. Each Debenture Unit consists of a $1,000 principal amount debenture as described below (each, a "**Debenture**") and 2,000 Warrants, with each such Warrant having all the terms and conditions as described above in the Unit Offering. The Company has a $2,500,000 lead order for the Debenture Units from a Company director (the "**Director**").

Each Debenture will consist of $1,000 principal amount of unsecured, non-transferable Debentures. The Debentures will mature five years from the closing date (the "**Maturity Date**") and will bear interest ("**Interest**") at a rate of 6% per annum, payable quarterly in arrears in cash or shares at the option of the Company. The principal amount of the Debentures may be convertible, only at the option of the Company (and not at the option of the holder), into Common Shares of the Company ("**Debenture Shares**") at a price of $0.50 per Common Share (the "**Conversion Price**"). 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 (as such term is defined in the Polices of the Exchange at the time of such conversion) but not less than the Conversion Price of the Debenture.

The net proceeds of the Debenture Offering will be used to fund litigation expenses of HEM. The first $2.5MM will be used as follows: (i) up to $0.6MM will be immediately available to HEM as reimbursement for past litigation expenses; and (ii) until required by the Company for litigation expenses, USD $1.5MM (approximately CDN$1.9MM) will be invested in a demand loan ("**Loan**") to an arms length US company. The balance of the Debenture Offering will be available for past or potential future litigation expenses. Any amounts raised in excess of $2.5MM will be immediately available to HEM as reimbursement for past litigation expenses. The Loan will have the following key

features: i) Term of 2 years; ii) Payable on demand, in whole or in part, on 30 days notice; iii) Interest at 8% per annum to be paid monthly; iv) Pre-payable, in whole or in part, without penalty; v) Immediately puttable, in whole or in part, for cash to cover upcoming litigation expenses, at face value, to an entity controlled by the Director; and vi) immediately assignable in whole or in part, at face value, to the Director as payment against such Director's investment in the Debenture Offering.

OTHER INFORMATION IN RESPECT OF THE UNIT OFFERING AND DEBENTURE OFFERING

The closings of the Unit Offering and the Debenture Offering (collectively, the "**Offerings**") are subject to a number of conditions, including receipt of all necessary corporate and regulatory approvals, including Exchange acceptance. As such, there is no assurance that the Company will complete the Offerings as described above or at all. It is anticipated that the Offerings will be completed pursuant to certain exemptions from the prospectus requirement under applicable securities laws. The Offerings may be closed in one or more tranches. All of the Units and Debenture Units issued pursuant to the Offerings, and any securities into which they may be exchanged or converted, are subject to resale restrictions imposed by applicable law or regulation, including a statutory hold period expiring four months and a day from the closing dates of the Offerings. It is not anticipated that any new insiders will be created, nor that any change of control will occur, as a result of the Offerings. Any participation by insiders of the Company in the Offerings will be on the same terms as arm's length investors. Depending on market conditions, the gross proceeds of the Offerings could be increased or decreased. None of the securities issued in connection with the Offerings will be registered under the *United States Securities Act of 1933*, as

amended (the "**1933 Act**"), and none of them may be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the 1933 Act. This press release shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the securities in any state where such offer, solicitation, or sale would be unlawful. The participation of the Director or any other directors or officers of the Company in the Offerings will constitute a "related party transaction" within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("**MI 61-101**") and the policies of the Exchange. For such participation, the Company will be relying upon exemptions from the formal valuation and minority shareholder approval requirements pursuant to sections 5.5(b) and 5.7(1)(a), respectively, of MI 61-101 on the basis that the Company is not listed on a specified stock exchange and, that at the time the Offerings are agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction insofar as it involves an interested party (within the meaning of MI 61-101) in the Offerings, will exceed 25% of the Company's market capitalization calculated in accordance with MI 61-101.

LITIGATION UPDATE

On March 30, 2021, the United States District Court for the District of Delaware has denied Aspire Health Sciences, LLC's (Aspire) Motion to Dismiss except as to Count VII (fraud), and denied Accudata Solutions Inc.'s (Accudata) Motion to Dismiss in its entirety. 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 The Court further denied the Company's preliminary injunction application. Accudata and Aspire must now answer the amended complaint by Monday, April 12, 2021.

ABOUT HEMOSTEMIX

Hemostemix is a publicly traded autologous stem cell therapy company. A winner of the World Economic Forum Technology Pioneer Award, the Company developed and is commercializing its lead product ACP-01 for the treatment of CLI, PAD, Angina, Ischemic Cardiomyopathy, Dilated Cardiomyopathy and other conditions of ischemia. ACP-01 has been used to treat over 300 patients, and it is the subject of a randomized, placebo-controlled, double blind trial of its safety and efficacy in patients with advanced critical limb ischemia who have exhausted all other options to save their limb from amputation.

On October 21, 2019, the Company announced the results from its Phase II CLI trial abstract entitled "Autologous Stem Cell Treatment for CLI Patients with No Revascularization Options: An Update of the Hemostemix ACP-01 Trial With 4.5 Year Followup" which noted healing of ulcers and resolution of ischemic rest pain occurred in 83% of patients, with outcomes maintained for up to 4.5 years.

The Company owns 91 patents across five patent families titled: Regulating Stem Cells, In Vitro Techniques for use with Stem Cells, Production from Blood of Cells of Neural Lineage, and Automated Cell Therapy. For more information, please visit www.hemostemix.com.

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Forward-Looking Information: *This news release contains*

*"forward-looking information" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein are forward-looking information. In particular, this news release contains forward-looking information in relation to: the completion of the follow-up for Hemostemix's ACP-01 clinical trial and the source document verification process; the Offerings including the size of the Offerings, the potential lead order for the Debenture Offering, potential insider participation in the Offerings, the use of proceeds of the Offerings, the closing of the Offerings, the potential exemptions used for the Offerings, any potential finder's fee paid on the Offerings, the potential accelerated expiry date of the Warrants, and the approval required for the Offerings, including Exchange acceptance of the Offerings; the status of Hemostemix's Litigation (as defined below); and the commercialization of ACP-01. There can be no assurance that such forward-looking information will prove to be accurate. Actual results and future events could differ materially from those anticipated in such forward-looking information. This forward-looking information reflects Hemostemix's current beliefs and is based on information currently available to Hemostemix and on assumptions Hemostemix believes are reasonable. These assumptions include, but are not limited to: the underlying value of Hemostemix and its Common Shares; market acceptance of the Offerings; Exchange acceptance of the Offerings; the successful resolution of the litigation that Hemostemix is pursuing or defending (the "**Litigation**"); the results of ACP-01 research, trials, studies and analyses, including the midpoint analysis, being equivalent to or better than previous research, trials or studies as well as management's expectations of anticipated results; Hemostemix's general and administrative costs remaining constant; the receipt of all required regulatory approvals for research, trials or studies; the level of activity, market acceptance and market*

trends in the healthcare sector; the economy generally; consumer interest in Hemostemix's services and products; competition and Hemostemix's competitive advantages; and Hemostemix obtaining satisfactory financing to fund Hemostemix's operations including any research, trials or studies, and the Litigation. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Hemostemix to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the ability of Hemostemix to complete its current CLI clinical trial, complete a satisfactory analyses and the results of such analyses and future clinical trials; litigation and potential litigation that Hemostemix may face; general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; delay or failure to receive board or regulatory approvals; the actual results of future operations including the actual results of future research, trials or studies; competition; changes in legislation affecting Hemostemix; the timing and availability of external financing on acceptable terms; long-term capital requirements and future developments in Hemostemix's markets and the markets in which it expects to compete; lack of qualified, skilled labour or loss of key individuals; and risks related to the COVID-19 pandemic including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, service disruptions, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, disruptions to economic activity and financings, disruptions to supply chains and sales channels, and a deterioration of general economic conditions including a

possible national or global recession or depression; the potential impact that the COVID-19 pandemic may have on Hemostemix which may include a decreased demand for the services that Hemostemix offers; and a deterioration of financial markets that could limit Hemostemix's ability to obtain external financing. A description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in Hemostemix's disclosure documents on the SEDAR website at www.sedar.com. Although Hemostemix has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this news release is expressly qualified by this cautionary statement. The forward-looking information contained in this news release represents the expectations of Hemostemix as of the date of this news release and, accordingly, it is subject to change after such date. However, Hemostemix expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

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