Hemostemix Announces the Closing of a $2,500,000 Convertible Debenture

written by Raj Shah | June 11, 2021

June 11, 2021 (Source) – Hemostemix Inc. (TSXV: HEM) (OTC: HMTXF) (FSE: 2VFO) ("**Hemostemix**" or the "**Company**") is pleased to announce that it closed its previously announced $2,500,000 convertible debenture order from a director of the Company for Debenture Units priced at $1,000 per Unit as detailed below.

CLINICAL TRIAL UPDATE

Hemostemix has obtained a new copy of its clinical trial data base from a former service provider who originally activated the clinical trial and who managed the data base for approximately the first two years of the clinical trial. The Company's data management firm is now integrating the data of the subjects treated in South Africa. Hemostemix's contractors are proceeding well with the completion of key tasks of the close out of the clinical trial including completion of the data base management plan, drafting of the statistical analysis plan, completing data base entry, query management and data base validation through source document verifications.

LITIGATION UPDATE

In the action pending in Florida State Court, with the Appeal still pending challenging personal jurisdiction over Hemostemix in Florida, Hemostemix and Aspire are engaging in discovery, including issuing notices for the depositions of key employees and officers. Dates for the depositions are being negotiated. Hemostemix intends to depose Aspire's witnesses in July, 2021

after the parties have exchanged documents. Hemostemix continues to aggressively defend against Aspire's claims, which are without merit.

In the action pending in Delaware Federal Court, on June 1st Hemostemix, the plaintiff, moved to dismiss Aspire's counterclaims. The parties are to begin discovery, including document collection and production, and are negotiating a confidentiality agreement to govern the exchange of documents by each party. Hemostemix will continue to aggressively prosecute its claims against Accudata and Aspire.

TERMS OF THE DEBENTURE OFFERING

The debenture offering (the "**Debenture Offering**") is a $2,500,000 five-year unsecured non-transferrable convertible debenture, with conversion at the option of Hemostemix, and consists of 2,500 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 (each, a "**Debenture**") and 2,500 Debenture Warrants. The Debentures mature five years from the closing date (the "**Maturity Date**") and bear interest ("**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 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 $0.40 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 TSX Venture Exchange (the "**Exchange**") at the time of such conversion) 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 $0.55 per Common Share for a period of 24 months from the closing of the Debenture 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 Debenture 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 Debenture Warrants by issuance of a news release that the expiry date of the Debenture Warrants will be accelerated to the 30th day after the date on which the Company issues such news release.

The net proceeds of the Debenture Offering will be used to fund litigation expenses of HEM. The $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 arm's length US company. The balance of the Debenture Offering will be available for past or potential future litigation expenses. The Debenture Units and any Common Shares resulting from conversion of the Debentures or the exercise of Debenture Warrants will be subject to a hold period, if applicable, until October 11, 2021. 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 DEBENTURE OFFERING

The subscription by the director of the Company (the "**Director**") of the $2,500,000 of Debenture Units in the Debenture Offering constitutes 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. No special committee was established in connection with the Debenture Offering. The Board of Directors of the Company have approved the Debenture Offering and no materially contrary view or abstention was expressed or made by any director in relation to the Debenture Offering (other than the abstention of the Director as required pursuant to the Business Corporations Act (Alberta)). The material change report to be filed in relation to the Debenture Offering will not be not filed at least 21 days prior to the completion of the Debenture Offering as contemplated by MI 61-101. The Company believes that this shorter period is reasonable and necessary in the circumstances as the completion of the Debenture Offering occurred shortly before the issuance of this news release and the filing of such material change report.

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 500 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. 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 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 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 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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