TRENCHANT CAPITAL CORP.

Consolidated Financial Statements

Year Ended March 31, 2021

Expressed in Canadian Dollars

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trenchant Capital Corp.

Opinion

We have audited the consolidated financial statements of Trechant Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Cherry Ho.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

July 14, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

Trenchant Capital Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	March 31, 2021	March 31, 2020
ASSETS			
Current assets			
Cash		$ 1,799,511	$ 63,848
Accounts receivable		2,225	17,400
Prepaids		22,648	36,538
Interest receivable	4	514,983	781,291
PIK Interest receivable	4	776,689	-
Loans receivable	4	7,740,000	-
		10,856,056	899,077
Long-term assets			
Property and Equipment, net	3	42,420	105,590
PIK interest receivable	4	-	567,482
Loans receivable	4	12,183,000	21,223,000
TOTAL ASSETS		**$ 23,081,476**	**$ 22,795,149**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5	$ 1,011,901	$ 610,699
Dividends payable	9	-	547,250
Lease liability, current portion	6	20,843	61,459
Debentures	8	7,590,876	-
Convertible debentures subscription received in advance	12	198,647	-
		8,822,267	1,219,408
Long-term Liabilities			
Lease liability	6	-	16,684
Debentures	8	11,989,558	19,354,045
TOTAL LIABILITIES		**20,811,825**	**20,590,137**
SHAREHOLDERS' EQUITY			
Share capital	9	6,945,289	4,170,018
Preferred shares	9	-	2,180,176
Share-based payment reserve	9	541,931	508,938
Deficit		(5,217,569)	(4,654,120)
TOTAL EQUITY		**2,269,651**	**2,205,012**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 23,081,476**	**$ 22,795,149**

Going concern (Note 1)

Subsequent events (Note 12)

On behalf of the board:

"Eric Boehnke"
Eric Boehnke, Director

"Tom English"
Tom English, Director

Trenchant Capital Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Years ended March 31, 2021	March 31, 2020
Revenues			
Interest income	4	$ 2,267,663	$ 2,277,186
Expenses			
Accretion	8	226,389	199,601
Business development		10,697	84,176
Consulting	7	341,670	20,257
Depreciation	3	63,170	63,168
General and administrative		61,947	7,365
Interest	6, 8	1,661,786	1,640,564
Professional fees	7	240,774	187,004
Share-based payment	9	32,993	99,341
Transfer agent and filing fees		59,589	82,906
Loss on settlement of preferred shares	9	117,997	-
Write downs of account receivable		14,100	-
		2,831,112	2,384,382
Net loss and comprehensive loss		**$ (563,449)**	**$ (107,196)**
Loss per share – basic and diluted	9	**(0.03)**	**$ (0.01)**

Trenchant Capital Corp.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share capital						
	Number of Common shares	Number of Preferred shares	Common shares	Preferred shares	Share-based payment reserve	Deficit	Total
Balance at March 31, 2019	**11,638,107**	**6,750,000**	**$ 4,157,518**	**$ 2,192,676**	**$ 409,597**	**$ (4,546,924)**	**$ 2,212,867**
Preferred share conversion (Note 9)	31,250	(31,250)	12,500	(12,500)	-	-	-
Share-based payments (Note 9)	-	-	-	-	99,341	-	99,341
Comprehensive loss	-	-	-	-	-	(107,196)	(107,196)
Balance at March 31, 2020	**11,669,357**	**6,718,750**	**$ 4,170,018**	**$ 2,180,176**	**$ 508,938**	**$ (4,654,120)**	**$ 2,205,012**
Balance at March 31, 2020	**11,669,357**	**6,718,750**	**$ 4,170,018**	**$ 2,180,176**	**$ 508,938**	**$ (4,654,120)**	**$ 2,205,012**
Issue of common shares on conversion of preferred shares (Note 9)	3,281,250	(3,281,250)	1,064,737	(1,064,737)	-	-	-
Issue of common shares on debt settlement (Note 9)	3,811,344	-	190,567	-	-	-	190,567
Issue of common shares on settlement of a payable (Note 9)	499,335	-	24,967	-	-	-	24,967
Issue of common shares on private placement (Note 9)	14,950,000		1,495,000				1,495,000
Cancellation of preferred shares on debt settlement (Note 9)	-	(3,437,500)	-	(1,115,439)	-	-	(1,115,439)
Share-based payments (Note 9)	-	-	-	-	32,993	-	32,993
Comprehensive loss	-	-	-	-	-	(563,449)	(563,449)
Balance at March 31, 2021	**34,211,286**	**-**	**$ 6,945,289**	**$ -**	**$ 541,931**	**$ (5,217,569)**	**$ 2,269,651**

Trenchant Capital Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		Year ended		
		March 31, 2021		March 31, 2020
Operating activities				
Net loss	$	(563,449)	$	(107,196)
Adjustments for non-cash items:				
Accretion expense		226,389		199,601
Accrued interest expense		4,158		34,917
Depreciation		63,170		63,168
Share-based compensation		32,993		99,341
Loss on settlement of loan receivable		117,997		-
Write-down of accounts receivable		14,100		-
Changes in non-cash working capital items:				
Receivables		1,075		(13,050)
Prepaid expenses		13,890		21,360
Interest receivable		(4,341)		(231,430)
Accounts payables and accrued liabilities		410,132		131,797
Net cash flows provided from operating activities		316,114		198,508
Investing activities				
Advance of loans		-		(4,189,000)
Repayment of loan receivable		-		200,000
PIK receivable		(209,207)		(204,896)
Net cash flows used in investing activities		(209,207)		(4,193,896)
Financing activities				
Repayment of lease obligation		(61,458)		(64,720)
Issuance of debentures		-		4,189,000
Debenture financing costs		-		(120,525)
Payment of dividend		(3,433)		(50,000)
Issuance of common shares		1,495,000		-
Convertible debentures received in advance		200,000		-
Deferred financing costs		(1,353)		
Net cash flows provided from financing activities		1,628,756		3,953,755
Increase (Decrease) in cash		1,735,663		(41,633)
Cash, beginning		63,848		105,481
Cash, ending	$	1,799,511	$	63,848

Non-cash activities				
Shares issued for dividends payable	$	190,567	$	-
Shares issued for conversion of preferred shares		1,064,737		12,500
Shares issued to settle accounts payable		24,967		-
Cancellation of preferred shares for debt settlement		1,115,439		-
Accrual of dividend payable		-		215,250
	$	2,395,710	$	227,750

1. Nature and continuance of operations

Trenchant Capital Corp. (the "Company") was incorporated under the British Columbia Business Corporations Act on December 17, 2009.

The Company's head office is located at suite 1790, 1066 West Hastings Street, Vancouver, BC, V6E 2X1. The Company has four subsidiaries, 0960128 B.C. Ltd., 1141864 B.C. Ltd., Trenchant Life Sciences Investments Corp and 1295277 BC Ltd.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has incurred losses since its inception and had an accumulated deficit of $5,217,569 at March 31, 2021, which has been funded primarily by issuance of securities debentures and loans from related parties. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has fostered a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months. As such, companies such as ours are subject to liquidity risks in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors are likely to have a negative impact on the Company's ability to raise equity and/or obtain loans and other credit facilities in the future on terms favourable to the Company and its management.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties. In May 2016, the Company pursued a change of business to become a Investment Issuer on the TSXV (the "Change of Business"). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017 and commenced trading on the TSXV under the symbol "TCC.H". The Company's secured convertible debentures commenced trading on the TSXV under the symbol "TCC.DB" and "TCC.DB.A".

The CSE has approved the listing of the Company's common shares, 9% Series A convertible debentures and 8% Series B convertible debentures (collectively, the "Securities") on the CSE (the "CSE Listing"). The Securities commenced trading on the CSE at market open on August 28, 2020 under the symbols "TCC", "TCC.DB" and "TCC.DB.A" respectively. In connection with the CSE Listing, the Company delisted the Securities from the TSXV at the close of market on August 27, 2020.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issue on July 13, 2021 by the directors of the Company.

2. Significant accounting policies and basis of preparation (cont'd)

Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Revenue recognition

Interest income on loans is determined using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the income over the life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash flows to the initial carrying amount.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets/liabilities	Classification - IFRS 9
Cash	FVTPL
Interest receivable	Amortized cost
PIK interest receivable	Amortized cost
Loans receivable	Amortized cost
Accounts payable	Amortized cost
Dividends payable	Amortized cost
Preferred share liabilities	Amortized cost
Debentures	Amortized cost
Convertible debentures subscription received in advance	Amortized cost

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. As at Mach 31, 2021 and 2020, property and equipement consists of furniture and right of use assets which are amortized over their useful life estimated as follows:

Furniture and fixtures	straight line method over 5 years
Right of use assets	term of the lease

The depreciation expense for each period is recognized in the statements of comprehensive loss.

Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity. Details of the controlled entity is as follows:

	Country of incorporation	**Percentage owned***	
		March 31, 2021	**March 31, 2020**
0960128 B.C. Ltd.	Canada	100%	100%
1141864 B.C. Ltd.	Canada	100%	100%
TCC Management Inc.	Canada	0%	100%
Trenchant Life Sciences Investments Corp.	Canada	100%	0%
1295277 BC Ltd.	Canada	100%	0%

*Percentage of voting power is in proportion to ownership.

During the years ended March 31, 2021 and 2020, the Company's subsidiary, TCC Management Inc, was inactive. TCC Management Inc. was sold during the year ended March 31, 2021 for no consideration.

Subsequent to the year ended March 31, 2021, Trenchant Life Sciences Investments Corp.("TLSIC") closed two private placements (Note 12). The Company's shareholding in TLSIC and 1295277 BC Ltd, the fully owned subsidiary of TLSIC, was diluted to 14.71%.

Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment applied in preparing the Company's financial statements are the assessment of the Company's ability to continue as a going concern and the recoverability of deferred tax assets.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. Significant accounting policies and basis of preparation (cont'd)

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted

average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company and its subsidiaries' functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation (cont'd)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right-of-use asset is measured based on the present value of the remaining lease payments at the initial application date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the initial application date using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option due to a significant event or change in circumstances.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Property and Equipment

	Equipment	Right of use	Total
Cost			
March 31, 2019	37,846	-	37,846
Additions	-	134,363	134,363
March 31, 2020 and 2021	37,846	134,363	172,209
Amortization			
March 31, 2019	(3,451)	-	(3,451)
Charge for the period	(7,569)	(55,599)	(63,168)
March 31, 2020	(11,020)	(55,599)	(66,619)
Charge for the period	(7,570)	(55,600)	(63,170)
March 31, 2021	(18,590)	(111,199)	(129,789)
Net book value			
March 31, 2020	$ 26,826	$ 78,764	$ 105,590
March 31, 2021	$ 19,256	$ 23,164	$ 42,420

(Expressed in Canadian Dollars)

4. Loans

The following summarizes information about loan receivable outstanding at March 31, 2021:

		March 31, 2021
Waiward loans		
May 18, 2017	$	5,522,000
June 26, 2017		1,488,000
July 19, 2017		730,000
Total current loans receivable		7,740,000
ABO loans		
March 2018		5,659,000
May 2018		2,335,000
May 2019		2,428,000
June 2019		1,761,000
Total long-term loans receivable		12,183,000

<u>Waiward Loans</u>

The Company has entered into a loan agreement (the “Loan Agreement”) dated March 2, 2017 (which replaced the loan agreement dated October 28, 2016) with Waiward Investments Limited Partnership (the “Borrower”), a limited partnership related to the Hillcore Group Ltd. (“Hillcore”), pursuant to which a wholly owned subsidiary of the Company (the “Lender”) has agreed to loan a minimum of $5,000,000 and a maximum of $20,000,000 (or $23,000,000 in the event that the Over-Allotment Option is exercised in full) (the “Waiward Loan”) to the Borrower, secured by the Borrower’s indirect equity interest in Waiward Steel Limited Partnership (“Waiward Steel”), a Canadian steel fabricator and erector.

The Waiward loans were made by the Company’s subsidiary, 0960128 B.C. Ltd., and bear interest at 12.5% per annum, with 10% payable quarterly in cash and 2.5% added quarterly to the principal balance and payable at maturity on March 31, 2022.

Interest earned during the year ended March 31, 2021 was $1,046,034, (2020 - $1,024,482), of which $208,744 (2020 - $205,306) was receivable at March 31, 2021 and $776,689 (2020 - $567,482) was interest accrued for payment in kind (“PIK”). The loan is secured by the Borrower’s indirect equity interest in Waiward Steel.

(Expressed in Canadian Dollars)

4. Loans (cont'd)

ABO Loans

In December 2017 the Company' subsidiary 1141864 B.C. Ltd. agreed to lend $5,659,000 to ABO Investments Limited Partnership ("ABO"). The loan bears interest at the rate of 10%, payable quarterly in cash until maturity on January 27, 2023 (the "ABO Loan"). On May 17, 2018, the Company closed the second tranche of the Omni Debentures (Note 8) for which gross proceeds of $2,335,000 were raised through the issuance of 2,335 Omni Debentures. On May 13, 2019, the Company closed the third tranche of the Omni Debentures for gross proceeds of $2,428,000 through the issuance of 2,428 Omni Debentures. On June 28, 2019, the Company closed the fourth tranche of the Omni Debentures for gross proceeds of $1,761,000 through the issuance of 1,761 Omni Debentures.

Interest earned in the year ended March 31, 2021 was $1,221,629 (2020 - $1,133,783), of which $306,239 (2020 - $302,911) was receivable at March 31, 2021. The loan is secured by ABO's indirect equity interest in Omni Health Investments Inc.

In December 2017, the Company agreed to loan the advance to ABO in a sidecar loan on the same terms as, and be subordinated to, the ABO Loan. The loan bears interest at the rate of 8.0% per annum, payable annually in cash until maturity on January 27, 2023. In June 2020, the remainder of the loan was repaid through ABO returning to treasury 100% of its preferred shares in the Company previously issued to ABO under the May 2017 Convertible Preferred Share Offering (Note 9). Interest earned in the year ended March 31, 2021 was $Nil (2020 - $118,921). The receivable as at March 31, 2021 is $Nil (2020 - $273,074).

5. Accounts payable and accrued liabilities

	March 31, 2021	March 31, 2020
Accounts payable (Notes 7 and 8)	$ 650,751	$ 588,699
Accrued liabilities (Note 7)	361,150	22,000
	$ 1,011,901	$ 610,699

6. Lease liabilities

On May 2, 2018, the Company entered into a lease agreement for use of office permises. The term of lease is 3 years from September 1, 2018. The schedule of monthly payments is below:

	Monthly lease payment
September 1, 2018 to August 31, 2019	$ 4,936
September 1, 2019 to August 31, 2020	5,053
September 1, 2020 to August 31, 2021	$ 5,171

On March 31, 2021 and 2020, the balance of the lease liability is as follows:

	March 31, 2021	March 31, 2020
Balance, beginning	$ 78,143	$ -
Additions	-	134,363
Interest	4,158	8,500
Payments	(61,458)	(64,720)
Balance, ending	$ 20,843	$ 78,143

(Expressed in Canadian Dollars)

6. Lease liabilities (cont'd)

	March 31, 2021	March 31, 2020
Short term	$ 20,843	$ 61,459
Long term	-	16,684
Total	$ 20,843	$ 78,143

7. Related party transactions

Related party balances:

The following amounts are due from (due to) related parties and included in accounts payable (Note 5):

	March 31, 2021	March 31, 2020
CFO	$ (7,875)	$ (5,250)
CEO	(108,025)	3,390
Directors	(228,900)	-
	$ (344,800)	$ (1,860)

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	March 31, 2021	March 31, 2020
CFO – Professional fees	$ 31,500	$ 31,701
CEO – Consulting fees	110,250	-
Directors – Consulting fees	228,900	-

8. Debentures

	March 31, 2021	March 31, 2020
Balance, beginning	$ 19,354,045	$ 15,085,969
Proceeds from issuance of debentures	-	4,189,000
Deferral of financing costs	-	(120,525)
Interest expense	1,671,240	1,605,647
Interest paid or payable	(1,671,240)	(1,605,647)
Accretion of financing costs	226,389	199,601
	$ 19,580,434	$ 19,354,045
Debentures – short term	$ 7,590,876	$ -
Debentures – long term	$ 11,989,558	$ 19,354,045

8. Debentures (cont'd)

The Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatories authorities for a proposed public offering of secured convertible debentures (the "Debentures") priced at $1,000 per Debenture (the "Debenture Offering Price"). The Debenture Offering closed for aggregate gross proceeds of $7,740,000. The debenture was loaned to Waiward (Note 4).

The Debentures matures on March 31, 2022 and the outstanding principal of the Debentures bears interest (the "Debenture Interest") at the rate of 9% per annum, payable quarterly in cash.

During the year ended March 31, 2021, the Company has recognized an accretion expense of $134,297 (2020 - $120,153) related to this Debenture Offering. During the year ended March 31, 2021, interest expense of $696,600 (2020 - $696,000) was paid and accrued, of which $174,150 (2020 - $174,150) was included in accounts payable.

Commencing on May 18, 2018, the outstanding principal amount of the Debentures may be converted, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the common shares for the 30 trading day period ending three business days before the conversion date, and (ii) $1.00 per common share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180-day period.

The Company may prepay the outstanding principal of the Debentures, and accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, by paying the Debenture holders 105% of the outstanding principal amount of the Debentures in year three, 103% of the outstanding principal amount of the Debentures in year four, and 101% of the outstanding principal amount of the Debentures in year five, plus any accrued but unpaid interest thereon.

The terms of the Debentures are set out in a trust indenture entered into between the Company and Computershare Trust Company of Canada ("Computershare"). The Company pledged all of the outstanding shares of 0960128 B.C. Ltd. to Computershare, on behalf of the holders of the Debentures, as security for the Company's outstanding obligations under the Debentures. The holders of Debentures have no recourse to the Company other than with respect to such shares.

The Omni Debentures

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of secured convertible debentures (the "Omni Debentures") priced at $1,000 per Debenture. The net proceeds of the Omni Debenture Offering was used to fund the Omni Loan, as described below. The Debenture Offering closed in four tranches for aggregate gross proceeds of $12,183,000, of which the third and fourth tranches were closed during the year ended March 31, 2020 for gross proceeds of $2,428,000 and $1,761,000, respectively.

The Omni Debentures matures on January 27, 2023 and bears interest at the rate of 8.0% per annum, payable quarterly in cash.

8. Debentures (cont'd)

During the year ended March 31, 2021, the Company incurred financing costs of $Nil (2020 - $120,525) and has recognized an accretion expense of $92,092 (2020 - $79,448) related to these Omni Debentures. During the year ended March 31, 2021, interest expense of $974,640 (2020 - $909,047) was paid and accrued accrued, of which $243,660 (2020 - $243,660) is included in accounts payable (Note 5).

Commencing two years from closing, the outstanding principal amount of the Omni Debentures may be converted, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the common shares for the 30 trading day period ending three business days before the conversion date, and (ii) $1.25 per common share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180-day period.

The Company may prepay the outstanding principal of the Omni Debentures, and accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, by paying the Omni Debenture holders 105% of the outstanding principal amount of the Omni Debentures in year three, 103% of the outstanding principal amount of the Omni Debentures in year four, and 101% of the outstanding principal amount of the Omni Debentures in year five, plus any accrued but unpaid interest thereon.

The Company has agreed to pledge all of the outstanding shares of 1141864 B.C. Ltd. as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

9. Share capital

Authorized share capital

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Issued share capital

At March 31, 2021 there were 34,211,286 (2020 - 11,669,357) issued and fully paid common shares.

During the year ended March 31, 2021, the Company issued 499,335 Common shares with a fair value of $0.05 per share to settle $24,967 in accounts payable.

During the year ended March 31, 2021, the Company issued 3,281,250 Common shares at the conversion of 3,281,250 preferred shares.

During the year ended March 31, 2021, the Company issued 3,811,344 Common shares at a fair value of $0.05 per share as settlement of $190,567 of the dividend payable.

During the year ended March 31, 2021, the Company issued 14,950,000 units at $0.10 per unit pursuant to a private placement for proceeds of $1,495,000. One unit consists of one common share and one common shares purchase warrant. Each warrant is exercisable into a common share of the Company for a period of two years at an exercise price of $0.115.

During the year end March 31, 2020, the Company issued 31,250 Common shares at the conversion of 31,250 preferred shares.

Escrow shares

At March 31, 2021, there were nil shares held in escrow (2020 – 1,493,744).

9. Share capital (cont'd)

Preferred shares

On May 18, 2017, the Company closed a private placement of non-voting convertible preferred shares, pursuant to which it raised gross proceeds of $2,700,000 through the issuance of 6,750,000 preferred shares at a price of $0.40 per share (the "Preferred Share Offering", and together with the Debenture Offering, the "Offerings"). No commissions or finder's fees were paid in connection with the Preferred Share Offering.

The preferred shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of preferred shares may, commencing on May 18, 2018, convert their preferred shares into common shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of common shares as is equal to 25% of a particular holder's preferred shares. The preferred shares will automatically convert into common shares on a one for one basis on May 18, 2020.

Holders of Preferred Shares are not entitled to receive notice of, attend, or vote at, any general meeting of the shareholders of the Company. The preferred shares are not, and are not expected to be, listed for trading on the TSXV or on any other stock exchange or quotation system.

The fair value of the liability component of the preferred shares was calculated using a market interest rate, which the Company determined to be 8.5%. The residual amount, representing the equity component of the preferred shares, is included in shareholders equity.

On May 11, 2020, the Company extended the conversion date of the preferred shares. On June 19, 2020, the Company converted 3,281,250 preferred shares to 3,281,250 common shares in accordance with the special rights and restrictions attached to the preferred shares.

In June 2020 the Company has entered into agreements with the holders of preferred shares to settle dividends owing in the aggregated amount of $190,567 by issuing 3,811,344 common shares at $0.05 per common share of the Company, which was approved by the TSXV.

On June 11, 2020, the Company entered into a debt settlement and share transfer agreement with Hillcore Diversified Industries Ltd ("Hillcore"). Hillcore was indebted to the Company pursuant to a loan that Hillcore was assigned by ABO in the principal amount of $1,300,000 and $270,649 on account of interest. Hillcore also owned 3,437,500 preferred shares and was owed $337,213 in dividends on such preferred shares by the Company. The 3,437,500 preferred shares were issued for cash of $1,375,000 and discounted to $1,115,439. Pursuant to the settlement agreement, Hillcore and the Company agreed to fully and finally settle the principal of the loan against the transfer of Hillcore's preferred shares to the Company and to fully and finally settle the interest on the loan payable by Hillcore to the Company by setting this amount off against the dividends payable by the Company to Hillcore on the preferred shares. This settlement resulted in a loss of $117,997.

As at March 31, 2021, there are dividends payable on the preferred shares of $Nil (2020 - $547,250).

(Expressed in Canadian Dollars)

9. Share capital (cont'd)

Basic and diluted loss per share

The calculation of basic income per share for the year ended March 31, 2021 was based on the loss attributable to common shareholders of $563,449 (2020: $107,196) and the weighted average number of common shares outstanding of 17,305,769 (2020: 11,660,966).

Stock options

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The shareholders of the Company approved the Plan on September 8, 2011. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at the time of the granting of options. Such options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

During year ended March 31, 2021, the Company recognized share-based payment of $32,993 (2020 - $99,341) on options vested in the year.

The following summarizes information about stock options outstanding at March 31, 2021:

Expiry date	Exercise price	Options outstanding	Options exercisable	Weighted average remaining contractual years
March 29, 2022	$ 0.25	1,160,000	1,160,000	1.00
Total		1,160,000	1,160,000	1.00

Share purchse warrants

The continuity of warrants for the year ended March 31, 2021 is as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance, March 31, 2020	-	$ -
Warrants issued	14,950,000	0.115
Balance, March 31, 2021	14,950,000	$ 0.115

Details of warrants outstanding as at March 31, 2021 are as follows:

Expiry date	Exercise price	Warrants outstanding	Weighted average remaining contractual years
March 24, 2023	$ 0.115	14,950,000	1.98
Total		14,950,000	1.98

9. Share capital (cont'd)

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

10. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk is assessed as low. Credit risk with respect to loan and interest receivables is assessed as moderate due to the risk of potential non payments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity and debenture securities for cash. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity and debt funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company had no exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk and the debentures have fixed interest rates. Interest rate risk is assessed as low.

(Expressed in Canadian Dollars)

10. Financial risk and capital management (cont'd)

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2021	March 31, 2020
FVTPL:		
Cash	$ 1,799,511	$ 63,848
Amortization costs:		
Interest receivable	514,983	781,291
PIK interest receivable	776,689	567,482
Loans receivable	19,923,000	21,223,000
	$ 23,014,183	$ 22,635,621

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2021	March 31, 2020
Non-derivative financial liabilities:		
Accounts payable	$ 650,751	$ 588,699
Dividends payable	-	547,250
Debentures	19,580,434	19,354,045
Convertible debentures subscription received in advance	198,647	-
	$ 20,429,832	$ 20,489,994

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

(Expressed in Canadian Dollars)

11. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended March 31, 2021	Year ended March 31, 2020
Net loss	$ (563,449)	$ (107,196)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(152,131)	(28,943)
Non-deductible items and other	(157,007)	99,456
Change in valuation allowance	309,138	(70,513)
Income tax recovery	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	March 31, 2021	March 31, 2020
Non-capital loss carry-forwards	$ 3,366,658	$ 2,318,875
Exploration and evaluation assets	1,850,785	1,712,056
Debenture financing costs	272,098	474,120
Debentures	(342,566)	(568,955)
Equipment	14,805	-
PIK interest reserve	(165,456)	(84,728)
	$ 4,996,324	$ 3,851,368

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Canadian resource pools
2031	$ 52,221	$ -
2032	574,306	-
2033	524,874	-
2034	545,514	-
2036	64,858	-
2037	199,331	-
2038	519,609	-
2039	148,771	-
2040	274,223	-
2041	462,951	-
No expiry	-	1,850,785
	$ 3,366,658	$ 1,850,785

12. Subsequent events

On April 14, 2021, TLSIC, a subsidiary of the Company, closed a private placement to issue an aggregate of 8,000,000 common shares at a price of $0.001 per share for gross proceeds of $8,000.

On April 16, 2021, TLSIC closed a private placement to issue an aggregate of 6,500,000 common shares at a price of $0.02 per share for gross proceeds of $130,000.

During the year ended March 31, 2021, TLSIC received proceeds of $200,000 pursuant to a private placement of unsecured convertible debentures in the aggregate amount of $500,000 closed on May 25, 2021 and incurred $1,353 legal fees. Subsequent to the year ended March 31, 2021, TLSIC received additional proceeds of $300,000. The convertible debenture matures twelve months from issuance and carries an interest rate of 8% per annum. Pursuant to an amalgamation agreement entered into among TLSIC, ASEP Medical Inc. ("AESP") and 1295277 B.C. Ltd on June 3, 2021, the debentures are convertible into common shares prior to the amalgamation effective date at a conversion price calculated by dividing (A) by (B), where (A) is $8,000,000, and where (B) is the product obtained by adding the number of all of the issued and outstanding common shares of ASEP as of the date of the ASEP conversion, which is the conversion of all of the principal outstanding under the ASEP debentures into ASEP shares on a fully diluted basis assuming conversion of all outstanding convertible securities of ASEP other than the ASEP debetnrues, with (y) the TLSIC's financing to complete a private placement of a minimum of 12,500,000 special warrants at a price of $0.40 per warrant for aggregate gross of a miniumum of $5,000,000.