TRENCHANT CAPITAL CORP.

Consolidated Financial Statements

Nine Months Ended December 31, 2021

Expressed in Canadian Dollars

(Unaudited-Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Vancouver, Canada

March 1, 2022

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

	Notes	(Unaudited) December 31, 2021	(Audited) March 31, 2021
ASSETS			
Current assets			
Cash		$ 1,074,622	$ 1,799,511
Accounts receivable		-	2,225
Prepaids		22,648	22,648
Interest receivable	5	532,810	514,983
PIK Interest receivable	5	938,115	776,689
Loans receivable	5	7,740,000	7,740,000
		10,308,195	10,856,056
Long-term assets			
Equipment, net	4	401,258	42,420
Loans receivable	5	12,183,000	12,183,000
Investment	3	1,250,000	-
TOTAL ASSETS		**$ 24,142,453**	**$ 23,081,476**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 876,676	$ 1,011,901
Lease liability, current portion	7	91,862	20,843
Debentures	9	7,702,640	7,590,876
Convertible debentures subscription received in Advance	3	-	198,647
		8,671,178	8,822,267
Long-term liabilities			
Debentures	9	12,064,711	11,989,558
Lease liability	7	295,843	-
TOTAL LIABILITIES		**21,031,738**	**20,811,825**
SHAREHOLDERS' EQUITY			
Share capital	10	6,945,289	6,945,289
Share-based payment reserve	10	541,931	541,931
Deficit		(4,376,499)	(5,217,569)
TOTAL EQUITY		**3,110,721**	**2,269,651**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 24,142,453**	**$ 23,081,476**

Going concern (Note 1)

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)
(Unaudited)

		Three month periods ended		Nine month periods ended	
	Notes	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenues					
Interest income	5	$ 578,786	$ 570,540	$ 1,727,528	$ 1,700,531
Expenses					
Accretion		62,504	56,036	186,917	163,218
Bad debt		-	-	-	14,100
Business development		20,898	-	51,260	10,511
Consulting		145,350	-	572,810	-
Depreciation		15,260	15,792	42,211	47,377
General and administrative		40,135	12,528	61,195	32,077
Interest		419,777	418,710	1,255,703	1,243,370
Professional fees	6	12,563	11,893	92,217	96,020
Share-based payment		-	7,998	-	24,631
Transfer agent and filing fees		5,865	7,099	30,771	44,771
		(724,025)	(530,056)	(2,293,084)	(1,676,075)
Other items					
Gain on loss of control	3	-	-	206,626	-
Loss on equity investment	3	(5,865)	-	(50,000)	-
Gain on debt settlement	8	-	-	-	141,563
Unrealized gain on investment		1,250,000	-	1,250,000	-
		1,244,135	-	1,406,626	141,563
Net and comprehensive income for the period		$ 1,098,896	$ 40,484	$ 841,070	$ 166,019
Income (loss) per share – basic and diluted		$ 0.03	$ 0.00	$ 0.02	$ 0.01

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

	Share capital						
	Number of common shares	**Number of preferred shares**	**Common shares**	**Preferred shares**	**Share-based payment reserve**	**Deficit**	**Total**
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	3,281,250	(3,281,250)	1,312,500	(1,312,500)	-	-	-
Issue of common shares on debt settlement	3,811,344	-	190,567	-	-	-	190,567
Issue of common shares on settlement of a payable	499,335		24,967				24,967
Cancellation of preferred shares on debt settlement	-	(3,437,500)	-	(867,676)		(507,324)	(1,375,000)
Share-based payments	-	-	-	-	24,631	-	24,631
Comprehensive income	-	-	-	-	-	166,019	166,019
Balance at December 31, 2020	**19,261,286**		**$ 5,698,052**	**$ -**	**$ 533,569**	**$ (4,995,425)**	**$ 1,236,196**
Balance at March 31, 2021	**34,211,286**	**-**	**$ 6,945,289**	**$ -**	**$ 541,931**	**$ (5,217,569)**	**$ 2,269,651**
Comprehensive income	-	-	-	-	-	841,070	841,070)
Balance at December 31, 2021	**34,211,286**	**-**	**$ 6,945,289**	**$ -**	**$ 541,931**	**$ (4,376,499)**	**$ 3,110,721**

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

	Nine months ended	
	December 31, 2021	**December 31, 2020**
Operating activities		
Net income (loss)	$ 841,070	$ 166,019
Adjustments for non-cash items:		
Accretion expense	186,917	138,971
Accrued interest	(159,153)	(206,492)
Depreciation	42,211	47,377
Share-based-payments	-	24,631
Gain on debt settlements	-	(141,564)
Loss on equity investment	50,000	-
Gain on loss of control	(206,626)	-
Unrealized gain in value of investment	(1,250,000)	-
Changes in non-cash working capital items:		
Receivables	2,225	14,010
Prepaid expenses	-	13,890
Interest receivable	(17,827)	-
Accounts payables and accrued liabilities	(39,348)	(87,639)
Net cash flows provided by (used in) operating activities	(550,531)	(30,797
Investing activities		
Purchase of investment	(2,500)	-
Derecognition of cash due to deconsolidation	(135,399)	-
Net cash flows used in investing activities	(137,899)	-
Financing activities		
Repayment of lease liability	(36,459)	-
Net cash flows used in financing activities	(36,459)	-
Decrease in cash	(724,889)	(30,797)
Cash, beginning	1,799,511	63,848
Cash, ending	**$ 1,074,622**	**$ 33,051**

Non-cash activities		
Shares issued for dividends payable	$ -	$ 190,567
Shares issued conversion of preferred shares	-	1,312,500
Cancellation of preferred shares on debt settlement	-	1,375,000

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 2380, 1055 West Hastings Street, Vancouver, BC, V6E 2E9. The Company has two subsidiaries: 0960128 B.C. Ltd.and 1141864 B.C. 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 $4,376,499 at December 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

These unaudited condensed consolidated interim financial statements were authorized for issue on March 1, 2022 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 unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The accounting policies applied in these financial statements are consistent with those used in the Company's audited financial statements for the year ended March 31, 2021. There have been no changes from the accounting policies applied in the March 31, 2021 financial statements. The preparation of interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the related amounts of assets and liabilities, revenues and expenses. In management's opinion, all adjustments considered necessary for fair presentation have been included in these unaudited interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim results. The significant judgments made by management applied in the preparation of these unaudited interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2021. For a description of the critical accounting estimates and assumptions, please refer to the Company's audited consolidated financial statements for the year ended March 31, 2021.

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 property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. As at December 31, 2021, property and equipment consist 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 statement of comprehensive loss.

Basis of preparation

The consolidated financial statements of the Company 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.

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 are as follows:

	Country of incorporation	Percentage owned*	
		December 31,	March 31, 2021
0960128 B.C. Ltd.	Canada	100%	100%
1141864 B.C. Ltd.	Canada	100%	100%
ASEP Medical Holdings Inc.	Canada	4.45%	100%
1295277 B.C. Ltd.	Canada	-	100%

*Percentage of voting power is in proportion to ownership.

During the period ended December 31, 2021, ASEP Medical Holdings Inc. (formerly Trenchant Life Sciences Investments Corp.) and 1295277 B.C. Ltd. were deconsolidated due to the Company's shareholding in these two entities was diluted to 14.7%. On November 18, 2021, the ownership was reduced to 4.45% (Note 3).

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.

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.

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

Leases (cont'd)

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.

Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

As at December 31, 2021, the Company accounts for the following entity using the equity method to November 18 as the Company does not have control over this entity:

	Jurisdiction	**Ownership interest**
Trenchant Life Sciences Investments Corp.	Canada	4.45%

(Expressed in Canadian Dollars)

3. Investment in ASEP Medical Holdings Inc. (“ASEP”),(formerly Trenchant Life Sciences Investment Corp.)

On April 14, 2021, ASEP 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, ASEP 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 resulting in a dilution in the Company’s shareholdings from 100% to 14.7%. As at April 16, 2021, the fair value of ASEP’s shares was estimated at $50,000 and ASEP had a net liability position of $156,626. The deconsolidation resulted in a gain of $206,626.

The investment in ASEP was accounted for by equity method as the Company determined it has significant influence on ASEP to November 18, 2021. The Company’s share of ASEP’s losses for the period ended November 18, 2021 totaled $50,000 which was recorded as a reduction to investment.

On November 18, 2021 the Company’s investment in ASEP was reduced to 4.45% and the investment was valued at $1,250,000 using FVTPL.

On November 18, 2021, the Company received final approval to list its common shares on the CSE and the common shares were listed for trading on the CSE on November 22, 2021 under the symbol “ASEP”.

Fair value of investment in ASEP	$	50,000
Carrying value:		
Cash		135,399
Subscription receivable		2,500
Accounts payable		(95,878)
Convertible debentures received in advance		(198,647)
Net liability		(156,626)
Gain on loss of control	$	206,626

The table below provides a continuity of the ASEP investment:

		December 31, 2021
Investment at April 16, 2021	$	50,000
Loss on equity investment		(50,000)
Ending balance	$	-

(Expressed in Canadian Dollars)

4. Equipment

	Equipment	Right of use	Total
Cost	$	$	$
March 31, 2021	37,846	134,363	172,209
Additions	-	401,049	401,049
December 31, 2021	37,846	535,412	573,258
Amortization			
March 31, 2020	(11,020)	(55,599)	(66,619)
Charge for the period	(5,677)	(41,700)	(47,377)
December 31, 2020	(16,697)	(97,299)	(113,996)
March 31, 2021	(18,590)	(111,199)	(129,789)
Charge for the period	(5,677)	(36,534)	(42,211)
December 31, 2021	(24,267)	(147,733)	(172,000)
Net book value			
March 31, 2021	19,256	23,164	42,420
December 31, 2021	13,579	387,678	401,258

5. Loans

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

(Expressed in Canadian Dollars)

5. Loans (cont'd)

Waiward Loans

The Company has entered into a loan agreement (the "Loan Agreement") dated March 2, 2017 (which replaces 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 bears interest at the rate of 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 in the nine months ended December 31, 2021 was $645,705 (2020 - $628,113), of which $217,396 was receivable on December 31, 2021. Interest income accrued for payment in kind ("PIK") of $938,115 (2021 - $724,511). The loan is secured by the Borrower's indirect equity interest in Waiward Steel.

ABO Loans

In December 2017, the Company's subsidiary 1141864 B.C. Ltd. agreed to lend $5,569,000 to ABO Investments Limited Partnership ("ABO"). The loan bears interest at the rate of 10.0% per annum, 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 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 which gross proceeds of $2,428,000 were raised through the issuance of 2,428 Omni Debentures. On June 28, 2019, the Company closed the fourth tranche of the Omni Debentures for which gross proceeds of $1,761,000 were raised through the issuance of 1,761 Omni Debentures.

Interest earned in the nine months ended December 31, 2021 was $920,396 (2020 - $915,389), of which $315,414 was receivable at December 31, 2021. The loan is secured by the borrower's indirect equity interest in Omni Health Investments Inc.

6. Accounts payable and accrued liabilities

	December 31, 2021	March 31, 2021
Accounts payable (Notes 8 and 9)	$ 876,682	$ 650,751
Accrued liabilities	-	361,150
	$ 876,682	$ 1,011,901

(Expressed in Canadian Dollars)

7. Lease liabilities

On April 30, 2021, the Company entered into a new lease agreement for use of office premises. The term of lease is 5 years from November 1, 2021. The schedule of monthly payments is below:

		Monthly lease payment
November 1, 2021 to October 31, 2024	$	5,390
November 1, 2024 to October 31, 2026		5,659

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

		December 31, 2021		March 31, 2021
Balance, beginning	$	20,843	$	78,143
Additions		401,048		-
Interest		2,273		4,158
Payments		(36,459)		(61,458)
Balance, ending	$	387,705	$	20,843

Short term	91,862
Long term	295,843
Balance, December 31, 2021	387,705

8. Related party transactions

Related party balances:

The following amounts are due to related parties and included in accounts payable (Note 6) and advance:

		December 31, 2021		March 31, 2021
CFO	$	(2,625)	$	(7,875)
CEO		(141,750)		(108,025)
Directors		(294,300)		(228,900)
	$	(438,675)	$	(344,800)

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

Key management personnel compensation

		December 31, 2021		December 31, 2020
CFO – Professional fees	$	23,625	$	23,625
CEO – Consulting fees		162,750		-
Directors – Consulting fees		337,900		-

(Expressed in Canadian Dollars)

9. Debentures

	December 31, 2021	March 31, 2021
Balance, beginning	$ 19,580,434	$ 19,354,045
Interest expense	1,253,430	1,671,240
Interest paid or payable	(1,253,430)	(1,671,240)
Accretion of financing costs	186,917	226,389
	$ 19,767,351	$ 19,580,434
Debentures – short term	$ 7,702,640	$ 7,590,876
Debentures – long term	$ 12,064,711	$ 11,989,558

The Debenture Offering

On March 7, 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 "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 5).

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

During the nine months ended December 31, 2021, the Company has recognized as accretion expense of $111,764 (2020 - $99,738) related to this Debenture Offering. During the nine months ended December 31, 2021, interest expense of $522,450 was accrued (2020 - $522,450) of which $174,150 is included in accounts payable (Note 6).

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 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.

9. Debentures (cont'd)

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 will be 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 maturity date of the Omni Debentures will be January 27, 2023 and bear interest at the rate of 8.0% per annum, payable quarterly in cash.

During the nine months ended December 31, 2021, the Company recognized as accretion expense of $75,154 (2020 - $63,481) related to these Omni Debentures. During the nine months ended December 31, 2021, interest expense was $730,980 (2020 - $730,980) of which $243,660 is included in accounts payable (Note 6).

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.

10. 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 December 31, 2021 there were 34,211,286 (2020 – 19,261,286) issued and fully paid common shares.

During the nine months ended December 31, 2020, the Company issued 499,335 Common shares at $0.05 as settlement of $24,967 of a payable.

During the nine months ended December 31, 2020, the Company issued 3,281,250 Common shares at $0.40 on conversion of 3,281,250 preferred shares.

10. Share capital (cont'd**)**

During the nine months ended December 31, 2020, the Company issued 3,811,344 Common shares at $0.05 as settlement of $190,567 of the dividend payable.

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 Series A 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. The unaudited gain on debt settlement of $141,563 on the consolidated statement of comprehensive loss was subsequently revised to a loss of $117,997 during the course of audit for the year ended March 31, 2021.

(Expressed in Canadian Dollars)

10. Share capital (cont'd**)**

Basic and diluted loss per share

The calculation of basic loss per share for the nine months ended December 31, 2021 was based on the income (loss) attributable to common shareholders of $841,070 (2020 – ($166,019)) and the weighted average number of common shares outstanding of 34,211,286 (2020 – 18,891,408).

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.

For nine months ended December 31, 2021, the Company recognized share-based payment of $Nil (2020 -$16,633) on vested options.

The following summarizes information about stock options outstanding at December 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	0.22

Share purchase warrants

The continuity of warrants for the period ended December 31, 2021 is as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance, March 31, 2021 and December 31, 2021	14,950,000	$ 0.115

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

Expiry date	Exercise price	Warrants outstanding	Weighted average remaining contractual years
March 24, 2023	$ 0.115	14,950,000	1.23

10. 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 or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

11. 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 securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity 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.

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 period. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

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

Classification of financial instruments

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

	December 31, 2021	March 31, 2021
FVTPL:		
Cash	$ 1,074,622	$ 1,799,511
Amortized costs:		
Interest receivable	532,810	514,983
PIK interest receivable	938,115	776,689
Investment in ASEP	1,250,000	-
Loans receivable	19,923,000	19,923,000
	$ 23,718,547	$ 23,014,183

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

	December 31, 2021	March 31, 2021
Amortized costs:		
Accounts payable	$ 876,682	$ 650,751
Debentures	19,767,351	19,580,434
Convertible debentures subscription received in advance	-	198,647
	20,644,033	$ 20,429,832

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.