



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**For the three months and nine months ended September 30, 2021
and September 30, 2020**

Expressed in Canadian dollars

(Unaudited – prepared by Management)

Notice to Reader:

As required by National Instrument 51-102 subsection 4.3(3)(a), readers are advised that an auditor has not performed a review of these interim financial statements.

ABT INNOVATIONS INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2021 (unaudited)	December 31, 2020
	\$	\$
Assets		
Current		
Cash	127,355	8,470
Restricted cash	3,000	-
Promissory note receivable (Note 5)	500,000	-
GST receivable	3,498	2,510
Prepaid expenses	1,250	-
	635,103	10,980
Liabilities		
Current		
Accounts payable and accrued liabilities	16,330	20,796
Due to related parties (Note 7)	-	140,714
	16,330	161,510
Non-current		
Convertible note (Note 4)	1,000,000	-
	1,016,330	161,510
Shareholders' Deficiency		
Share capital (Note 6)	209	209
Deficit	(381,436)	(150,739)
	(381,227)	(150,530)
	635,103	10,980

Going Concern (Note 1)
 Commitments (Note 9)
 Subsequent Events (Note 10)

Approved by the Director:
"Robert E. W. Hancock"
 Robert E. W. Hancock – Director

The accompanying notes are an integral part of the consolidated interim financial statements

ABT INNOVATIONS INC.**Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars – Unaudited)**

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Research revenue	-	-	-	-
Operating expenses				
Legal & professional	39,239	352	82,989	352
UBC contract for research	124,114	9,469	124,114	13,594
UBC license	1,250	5,000	3,750	5,000
Patent costs	7,107	1,137	9,550	4,149
Lab supplies	6,660	-	6,660	-
Consulting fees	2,170	-	2,398	-
Advertising	726	-	726	-
General & administrative	313	86	403	354
	<u>181,579</u>	<u>(16,044)</u>	<u>230,590</u>	<u>(23,449)</u>
Foreign exchange loss	107	-	107	-
Loss and comprehensive loss for period	<u>(181,686)</u>	<u>(16,044)</u>	<u>(230,697)</u>	<u>(23,449)</u>
Basic and diluted loss per common share	(0.09)	(0.00)	(0.11)	(0.00)
Weighted average number of common shares outstanding	2,024,746	2,000,000	2,012,600	2,000,000

The accompanying notes are an integral part of the consolidated interim financial statements

ABT INNOVATIONS INC.**Condensed Consolidated Interim Statements of Changes in Deficiency
(Expressed in Canadian dollars – Unaudited)**

	Common Shares	Share Capital	Deficit	Total Deficiency
	#	\$	\$	\$
Balance, December 31, 2019	2,000,000	209	(122,642)	(122,433)
Net loss for the period	-	-	(23,449)	(23,449)
Balance, September 30, 2020	2,000,000	209	(146,091)	(145,882)
Balance, December 31, 2020	2,000,000	209	(150,739)	(150,530)
Net loss for the period	-	-	(230,697)	(230,697)
Shares issued	24,746	-	-	-
Balance, September 30, 2021	2,024,746	209	(381,436)	(381,227)

The accompanying notes are an integral part of the consolidated interim financial statements

ABT INNOVATIONS INC.**Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars – Unaudited)**

	Nine months ended	
	September 30, 2021	September 30, 2020
Cash flows from:	\$	\$
Operating Activities		
Net loss for the period	(230,697)	(23,449)
Changes in non-cash operating working capital items		
GST receivable	(988)	(363)
Prepaid expenses	(1,250)	-
Accounts payable and accrued liabilities	(4,466)	1,708
	<u>(237,401)</u>	<u>(22,104)</u>
Financing Activities		
Due to related parties	(140,714)	29,849
Demand promissory note receivable	(500,000)	-
Note payable	1,000,000	-
	<u>359,286</u>	<u>29,849</u>
Investing Activities		
GIC collateral for Visa	(3,000)	-
Change in cash	118,885	7,745
Cash, beginning of period	8,470	534
Cash, end of period	<u>127,355</u>	<u>8,279</u>

The accompanying notes are an integral part of the consolidated interim financial statements

ABT INNOVATIONS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars - unaudited)

1. Nature of Operations and Going Concern

ABT Innovations Inc. (the "Company") was incorporated on July 3, 2015, under the laws of the province of British Columbia, Canada. The Company's records office and registered address are located at 1750 – 1055 West Georgia Street, Vancouver, British Columbia V6E 3P3.

The Company is in the business of developing and commercializing the use of multiple peptide products (small proteins) for applications in any number of areas, including inflammatory medications to vaccine adjuvants. The Company operates together with the University of British Columbia ("UBC"), through a worldwide, exclusive License Agreement, that allows ABT, subject to certain restrictions, the ability to use and sublicense core technology developed through research carried out by Dr. Robert E Hancock, in the UBC Department of Microbiology and Immunology.

These unaudited condensed consolidated interim 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 is in the development stage and currently has no sources of cash from operations. Further funds will be required to successfully develop the Company's business and there is no certainty that these funds will be available. As at September 30, 2021, the Company had accumulated losses of \$381,436 and a working capital surplus of \$618,773. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately achieve profitable operations. Management intends to finance operating costs over the next twelve months through the issuance of convertible notes and/or common shares (see Note 4).

If the going concern basis was not appropriate for these unaudited condensed consolidated interim financial statements, then adjustments would be necessary to the carrying value of the assets and liabilities, the reported amount of expenses and the classifications used on the statement of financial position. Such adjustments could be material.

During the latter part of 2019, there was an outbreak of COVID-19 in China. By March 2020, this had spread to Northern America. The Canadian and U.S. governments placed restrictions on travel, business operations and isolation/quarantine orders as a result of the COVID-19 outbreak. At this time, the extent that these restrictions may impact on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. The duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, U.S. and other countries may have a future impact on the Company. The Company will continue to monitor its operations and assess the impact that these restrictions will have on its business activities.

ABT INNOVATIONS INC.

Notes to the unaudited condensed consolidated interim financial statements

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars - unaudited)

2. Basis of Preparation

a) Statement of Compliance and Basis of Measurement

These unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2021 and 2020 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, the unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Board of Directors approved these condensed consolidated interim financial statements for issuance on November 29, 2021

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, the Company’s functional and presentation currency and include the accounts of the Company and its inactive wholly-owned subsidiary, ABT Peptides Inc. All significant intercompany transactions and balances have been eliminated upon consolidation.

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the year ended December 31, 2020. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2020.

4. Convertible Notes

On May 14, 2021 (the “Effective Date”), the Company entered into an option agreement (the “Option Agreement”) with ASEP Medical Inc. (“ASEP”). Under Option Agreement, the Company has the option (the “Option”) to acquire 50.1% of the common shares of Sepset (the “Sepset Shares”) in exchange for aggregate cash consideration of \$2,500,000.

Pursuant to the terms of the Option Agreement, ASEP agreed to subscribe for, and the Company agreed to issue, unsecured convertible notes of the Company (the “Notes”) in the aggregate principal amount of up to \$2,500,000 in five equal tranches of \$500,000 on or prior to each of the dates (the “Note Subscription Date”) set forth below: (a) \$500,000 on the Effective Date; (b) \$500,000 on the four month anniversary of the Effective Date; (c) \$500,000 on the eight month anniversary of the Effective Date; (d) \$500,000 on the twelve month anniversary of the Effective Date; and (e) \$500,000 on the last Business Day prior to the sixteen month anniversary of the Effective Date.

Notwithstanding the foregoing, ASEP is not obligated to subscribe for any Notes where a Note Subscription Date occurs after the exercise date of the Option. The Notes are unsecured, non-interest bearing and repayable on the Maturity Date, being the earlier of the Expiry Date, September 14, 2022 and the Breach Date, the date on which the Option Agreement is breached due to ASEP’s failure to fund the Notes on the Note Subscription Dates.

ABT INNOVATIONS INC.

Notes to the unaudited condensed consolidated interim financial statements

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars - unaudited)

4. Convertible Notes – Continued

The Notes can be converted by ASEP at any time up to the Maturity Date and will be automatically converted, subject to there not being an occurrence of an event of default, into such number of shares on the Maturity Date as determined in accordance with the Automatic Conversion Calculation (as defined below), and the Note(s) shall be terminated, and the total aggregate principal amount shall be automatically applied towards satisfaction of ASEP's payment for such shares. The number of Sepset Shares to be determined by the Company on the Expiry Date, Breach Date or Default Date, as applicable, is calculated by dividing (A) by (B), and then rounding the quotient of such equation down to the nearest whole number, where (A) is the product obtained by multiplying: (a) the aggregate number of Sepset Shares that are issued and outstanding, as of the Expiry Date, Breach Date or Default Date, as applicable, on a fully diluted basis assuming conversion of all outstanding convertible securities of the Company other than the Notes, with (b) the product obtained by 10.02 multiplied by the number of Notes outstanding as of the Expiry Date, Breach Date, or Default Date, as applicable, and where (B) is the product obtained by subtracting: (c) the product obtained by 10.02 multiplied by the number of Notes outstanding as of the Expiry Date, Breach Date, or Default Date, as applicable, from (d) 100 (the "Automatic Conversion Calculation"). On May 14, 2021, ASEP subscribed for the \$500,000 note referred to in (a) above. On September 14, 2021, ASEP subscribed for the \$500,000 note referred to in (b) above by issuing a demand promissory note. The convertible note balance at September 30, 2021 is \$1,000,000 (December 31, 2020 - \$nil).

In addition, pursuant to the terms of the Option Agreement, all of the shareholders of the Company (excluding UBC) granted ASEP, subject to the exercise of the Option, an option (the "Additional Option") to acquire the remaining 49.9% equity interest in the capital of the Company from each of the shareholders of the Company (less the equity interest held by each of ASEP and UBC), resulting in ASEP, after exercise of the Additional Option, holding a 100% equity interest in the capital of the Company. ASEP may exercise the Additional Option at any time prior to the third anniversary of the exercise by ASEP of the Option upon payment of an aggregate \$20,000,000 (the "Additional Option Exercise Price"), less the amount payable to UBC pursuant to the UBC Option Agreement (as defined below), payable pro rata to each of the shareholders of the Company (excluding ASEP and UBC). The Additional Option Exercise Price is payable as follows:

- a. if ASEP's shares (including any shares of any assignee of ASEP) are listed on a recognized stock exchange, the Additional Option Exercise Price, less the amount payable to UBC pursuant to the UBC Option Agreement, shall be payable to the shareholders of the Company (excluding ASEP and UBC), on a pro rata basis: (A) in cash, as to an aggregate minimum of \$5,000,000; and (B) in shares of ASEP (or its assignee) as to the balance of the Additional Option Exercise Price remaining after deduction of the cash portion advance under part (A), with such shares to be issued based on the 20-day volume-weighted average trading price of ASEP (or its assignee) ending on the trading day preceding the date on which ASEP provides notice to the Company that it is exercising the Additional Option; or
- b. if ASEP's shares are not listed on a recognized stock exchange, the Additional Option Exercise Price shall be payable in cash, on a pro rata basis, as to the full \$20,000,000, less the amount payable to UBC pursuant to the UBC Option Agreement.

ABT INNOVATIONS INC.

Notes to the unaudited condensed consolidated interim financial statements

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars - unaudited)

4. Convertible Notes – Continued

Concurrently with the entering into of the Option Agreement, the Company, ASEP and UBC entered into an option agreement (the “UBC Option Agreement”) dated May 14, 2021, pursuant to which UBC granted ASEP an option (the “UBC Option”) to purchase all of the shares held by UBC in the capital of the Company in exchange for payment by ASEP of UBC’s pro rata interest of the ABT Additional Option Exercise Price. The UBC Option is conditional upon ASEP exercising the ABT Additional Option and the License Agreement being in good standing. Payment of UBC’s pro rata portion of the ABT Additional Exercise Price shall be in the same manner as ASEP’s payment of the ABT Additional Option Exercise Price to the remaining shareholders of the Company pursuant to the terms of the Option Agreement.

5. Promissory Note Receivable

On September 14, 2021 the Company was issued a demand promissory note of \$500,000 by ASEP. The demand promissory note was received as consideration of the second tranche payment under the Option Agreement. The demand promissory note is non-interest bearing and will become due and payable upon the date which ASEP exercises its option to acquire a 50.1% fully diluted equity interest in the Company.

6. Share Capital

The Company is authorized to issue: (i) an unlimited number of Class A common voting shares without nominal or par value, (ii) an unlimited number of Class B common voting shares without nominal or par value, (iii) an unlimited number of Class C common non-voting shares without nominal or par value; (iv) an unlimited number of Class D preference shares with a par value of \$100 each; and (v) an unlimited number of Class E preference shares without nominal or par value.

As at September 30, 2021, the Company had 2,024,746 shares issued and outstanding.

During the nine-month period ended September 30, 2021, the Company had the following transactions that resulted in the issuance of common stock:

- On May 14, 2021, the Company issued 24,746 shares to certain existing shareholders of the Company on a pro rata basis.

7. Related Party Transactions and Balances

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company’s Board of Directors and corporate officers.

During the nine months ended September 30, 2021, the Company incurred \$Nil (nine months ended September 30, 2020 - \$Nil) in short-term benefits key management personnel and entities over which they have control or significant influence.

Amounts due to related parties at September 30, 2021 is \$Nil (December 31, 2020 - \$140,714 owed to two shareholders/directors of the Company). The amounts due were non-interest bearing, unsecured and due on demand.

ABT INNOVATIONS INC.**Notes to the unaudited condensed consolidated interim financial statements****For the three months and nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars - unaudited)****8. Fair Values and Classification of Financial Instruments**

As at September 30, 2021, the Company's financial instruments consist of cash and accounts payable. The fair values of these financial instruments approximate their carrying values due to their current nature.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 are as follows:

	Fair Value Measurements Using			Balance, September 30, 2021
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Assets:				
Cash	127,355	-	-	127,355
Restricted cash	3,000	-	-	-
Total assets measured at fair value	130,355	-	-	130,355

ABT INNOVATIONS INC.**Notes to the unaudited condensed consolidated interim financial statements****For the three months and nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars - unaudited)****9. Commitments***License Agreement*

The Company entered into the License Agreement with UBC on April 25, 2017. The license fee is \$5,000 per year up to and including 2021 and increases to \$10,000 per year for 2022 onwards. The contract term ends on the earlier of (a) 20 years; or (b) the expiry of the last patent licensed under the agreement.

10. Subsequent Events

On November 10, 2021, ASEP exercised the option to acquire 50.1% of the common shares of the Company, on a fully diluted basis, in exchange for aggregate cash consideration of \$2,500,000. On November 12, 2021, the Company received \$2,000,000 representing payment for the \$500,000 demand promissory note issued for the second unsecured convertible note and \$1,500,000 for payment of the remaining \$2,500,000 exercise price. In connection with the option exercise and full payment of \$2,500,000 received, the Company issued ASEP 2,032,861 common shares, representing a 50.1% fully diluted equity interest in the Company.