CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months and nine months ended September 30, 2021 and the period August 12, 2020 (date of incorporation) to 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.

ASEP MEDICAL INC.
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2021 (unaudited)	December 31, 2020
	$	$
Assets		
Current		
Cash	343,476	360,397
Restricted cash	3,000	-
Subscriptions receivable	-	940,000
GST receivable	46,410	4,332
Prepaids and deposits	1,587	-
Accounts receivable	7,500	-
	401,973	1,304,729
Non-current		
Intangible asset (Note 5)	27,350	-
Equipment (Note 5)	3,737	-
Notes receivable (Note 6)	2,000,000	-
	2,433,060	1,304,729
Liabilities		
Current		
Accounts payable and accrued liabilities	34,914	83,709
Payroll tax payable	10,293	-
Accrued interest	114,600	-
Derivative liability (Note 8)	400,741	433,333
Promissory note payable	1,000,000	-
Convertible debentures (Note 8)	1,820,642	826,539
	3,381,190	1,343,581
Shareholders' Deficiency		
Share capital (Note 3)	303,000	1
Deficit	(1,251,130)	(38,853)
	(948,130)	(38,852)
	2,433,060	1,304,729

Going Concern (Note 1)
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 interim financial statements

ASEP MEDICAL INC.

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars – Unaudited)

	Three months ended September 30, 2021	August 12, 2020 (date of incorporation) to September 30, 2020	Nine months ended September 30, 2021	August 12, 2020 (date of incorporation) to September 30, 2020
	$	$		
Operating expenses				
Accretion expense (Note 8)	199,822	-	525,930	-
Advertising	1,650	-	7,082	-
Amortization	1,783	-	2,288	-
Compensation	112,612	-	230,791	-
Consulting fees	62,310	-	447,188	-
Finders fees	500	-	16,080	-
General & administrative	783	-	3,071	-
Interest expense – convertible debenture	40,864	-	112,170	-
Legal & professional fees	37,016	-	127,223	-
Rent & occupancy	7,530	-	7,530	-
	464,870	-	1,479,353	-
Unrealized gain on derivative liability (Note 8)	-	-	267,259	-
Foreign exchange loss	(183)	-	(183)	-
Loss and comprehensive loss for period	465,053	-	1,212,277	-
Basic and diluted loss per common share	$0.03	$0.00	$0.13	$0.00
Weighted average number of common shares outstanding	18,000,000	1	9,166,052	1

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

ASEP MEDICAL INC.
Condensed Interim Statements of Changes in Equity (Deficiency)
(Expressed in Canadian dollars – Unaudited)

	Common Shares #	Share Capital $	Deficit $	Total Equity (Deficiency) $
Balance, August 12, 2020	1	1	-	1
Net loss for the period			-	-
Balance, September 30, 2020	**1**	**1**	**-**	**1**
Balance, December 31, 2020	**1**	**1**	**(38,853)**	**(38,852)**
Warrants exercised during the period	18,000,000	303,000	-	303,000
Shares cancelled during the period	(1)	(1)	-	(1)
Net loss for the period	-	-	(1,212,277)	(1,212,277)
Balance, September 30, 2021	**18,000,000**	**303,000**	**(1,251,130)**	**(948,130)**

ASEP MEDICAL INC.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars – Unaudited)

	Nine months ended September 30, 2021	August 12, 2020 (date of incorporation) to September 30, 2020
Cash flows from:	$	
Operating Activities		
Net loss for the period	(1,212,277)	-
Add items not affecting cash:		
Accretion expense	525,930	-
Unrealized gain on derivative liability	(267,259)	-
Amortization expense	2,288	-
	(951,318)	-
Changes in non-cash operating working capital items:		
Accounts receivable	(7,500)	-
GST receivable	(42,078)	-
Prepaids and deposits	(1,587)	-
Accounts payable and accrued liabilities	(48,795)	-
Payroll tax payable	10,293	-
Accrued interest	114,600	-
	(926,385)	-
Investing Activities		
Notes receivable	(2,000,000)	-
Promissory note payable	1,000,000	-
Intangible asset - website	(29,237)	-
Equipment	(4,139)	-
Restricted cash collateral for Visa	(3,000)	-
	(1,036,376)	-
Financing Activities		
Proceeds from issuance of common shares	303,000	-
Proceeds from issuance of convertible debentures	1,669,000	-
Paid to cancel common share	(1)	-
Convertible debenture issuance fees	(26,160)	-
	1,945,839	-
(Decrease) increase in cash	(16,921)	-
Cash, beginning of period	360,397	-
Cash, end of period	343,476	-

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

1. Nature of Operations and Going Concern

ASEP Medical Inc. (the "Company") was incorporated on August 12, 2020, under the laws of the province of British Columbia, Canada. The Company's records office and registered address are located at 200 – 931 Fort St, Victoria, British Columbia, Canada V8V 3K3.

The Company is in the business of investing in the health care sector. Initial investments will be focused on a patented early diagnostic tool for Sepsis and patented peptide therapeutic treatments for multiple applications.

On June 3, 2021, the Company entered into the Amalgamation Agreement (the "Amalgamation Agreement") with Trenchant Life Sciences Investment Corp. ("TLS") and 1295255 B.C. Ltd. ("NewCo"), pursuant to which the Company, TLS, and NewCo agreed to combine their respective businesses by way of a three-concerned amalgamation under the provisions of the *Business Corporations Act* (British Columbia). Upon completion of the transactions contemplated in the Amalgamation Agreement (being the completion of the amalgamation, the exercise of both of the ABT Option (as defined below) and Sepset Option (as defined below) and conditional approval to the list the common shares of TLS on the CSE), the resulting entity of the amalgamation between ASEP and SubCo (the "Amalgamation"),will be a wholly-owned subsidiary of TLS and the Resulting Issuer will carry on the business of ASEP.

These condensed 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 $1,251,130 and a working capital deficiency of $2,979,217. 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 with issuance of common shares, loans from directors and companies controlled by directors and/or profits from its business activities.

If the going concern basis was not appropriate for these condensed 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.

2. Statement of Compliance and Basis of Presentation

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Board of Directors approved these condensed interim financial statements for issuance on November 29, 2021.

Basis of Presentation

The condensed 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 interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim financial statements are presented in Canadian dollars, the Company’s functional and presentation currency.

3. Significant Accounting Policies

Significant Estimates and Assumptions

The preparation of condensed interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Significant estimates in these financial statements include fair value measurements of financial instruments and measurement of deferred tax assets.

Significant Judgments

The preparation of condensed interim 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 in applying the Company’s accounting policies in these condensed interim financial statements was the recoverability of deferred tax assets and going concern.

Cash

Cash includes cash held with banks and funds held in trust.

3. Significant Accounting Policies – Continued

Financial Instruments

i) 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 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 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 assets and liabilities under IFRS

Financial assets/liabilities	Classification
Cash	FVTPL
Subscription receivable	Amortized cost
Notes receivable	FVTPL
Accounts payables and accrued liabilities	Amortized cost
Convertible debenture	Amortized cost
Derivative liability	FVTPL

ii) 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 recognized in the statement 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 recognized in the statement of comprehensive loss in the period in which they arise.

iii) Impairment of Financial Assets at Amortized Cost and Expected Credit Losses

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. The Company is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

3. Significant Accounting Policies – Continued

Financial Instruments - Continued

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 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 statement 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 of 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.

Derecognition of Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they 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 generally recognized in profit or loss.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

3. Significant Accounting Policies – Continued

Impairment of Non-Financial Assets - Continued

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

Financing Costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are recognized in the statement of comprehensive loss.

Loss Per Share

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the periods presented.

Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses. Cost includes costs paid to acquire assets from third parties as well as costs incurred in internally constructed assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss. Amortization is calculated as follows:

- Computer equipment is amortized on a straight-line basis over its estimated useful lives of 36 months starting when the asset is available for use.

No amortization is recorded where an asset is in development and not yet ready for its intended use.

3. Significant Accounting Policies – Continued

Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangible assets is recognized on a straight-line basis over their estimated useful lives.

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 (loss) or equity is recognized in other comprehensive income (loss) 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 tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred 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 tax asset to be utilized.

Deferred 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 tax assets and deferred 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.

4. Financial Risks and Fair Values of Financial Instruments

Capital Management

The Company manages its capital to ensure that it will be able to continue as a going-concern while maximizing the return to stakeholders through the optimization of debt and equity balances.

The capital of the Company consists of items included in shareholder’s deficiency and convertible debentures.

(Expressed in Canadian dollars)

4. Financial Risks and Fair Values of Financial Instruments - Continued

Capital Management – Continued

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or return capital to shareholders. The Company is not subject to external capital requirements.

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 bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low.

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 intends to ensure 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. As of September 30, 2021, the Company had working capital deficiency of $1,979,217.

The Company's contractual obligations at September 30, 2021 are as follows:

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 34,914	$ -	$ -	$ 34,914
Payroll tax payable	10,292	-	-	10,292
Accrued interest	114,600	-	-	114,600
Convertible debentures	2,029,000	-	-	2,029,000
Total	$ 2,188,806	$ -	$ -	$ 2,188,806

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 is not exposed to foreign exchange risk.

(Expressed in Canadian dollars)

4. Financial Risks and Fair Values of Financial Instruments – Continued

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. As at December 31, 2020, the Company's convertible debentures are subject to interest rate price risk as they bear fixed rates of interest.

Fair Value

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.

Cash is measured at fair value on a recurring basis using level 1. Notes receivable is measured at fair value on a recurring basis using level 3. Derivative liability is measured at fair value using level 3. The carrying values of accounts payable, accrued interest and convertible debentures approximates their fair values due to the relatively short-term maturity and current market rates of these financial instruments.

5. Equipment and Intangible Assets

	Equipment	Intangible Assets (Website)
Balance, December 31, 2020	-	-
Additions	4,139	29,237
Amortization	(403)	(1,886)
Balance, September 30, 2021	3,736	27,351

6. Notes Receivable

Agreement with ABT Innovations Inc.

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

The Company agreed to subscribe for, and ABT agrees to issue, unsecured convertible notes of ABT (the "ABT 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 "ABT Note Subscription Date") set forth below: (a) $500,000 on the ABT Effective Date; (b) $500,000 on the four month anniversary of the ABT Effective Date; (c) $500,000 on the eight month anniversary of the ABT Effective Date; (d) $500,000 on the twelve month anniversary of the ABT Effective Date; and (e) $500,000 on the last Business Day prior to the sixteen month anniversary of the ABT Effective Date. Notwithstanding the foregoing, the Company is not obligated to subscribe for any ABT Notes where a ABT Note Subscription Date occurs after the exercise date of the ABT Option. The ABT 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 ABT Option Agreement is breached due to the

6. Notes Receivable – Continued

Agreement with ABT Innovations Inc. – Continued

Company's failure to fund the ABT Notes on the ABT Note Subscription Dates.

The ABT Notes can be converted by the Company 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 ABT Shares on the Maturity Date as determined in accordance with the ABT Automatic Conversion Calculation (as defined below), and the ABT Note(s) shall be terminated, and the total aggregate principal amount shall be automatically applied towards satisfaction of the Company's payment for such shares. The number of ABT Shares to be determined by ABT 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 ABT 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 ABT other than the ABT Notes, with (b) the product obtained by 10.02 multiplied by the number of ABT 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 ABT Notes outstanding as of the Expiry Date, Breach Date, or Default Date, as applicable, from (d) 100 (the "ABT Automatic Conversion Calculation"). On May 14, 2021, the Company subscribed for the $500,000 note referred to in (a) above. On September 14, 2021, the Company subscribed for the $500,000 note referred to in (b) above by issuing a demand promissory note.

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

a. if the Company's shares (including any shares of any assignee of the Company, including, without limitation, TLS upon completion of the transactions contemplated in the Amalgamation Agreement) are listed on a recognized stock exchange, the ABT Additional Option Exercise Price, less the amount payable to UBC pursuant to the UBC Option Agreement, shall be payable to the shareholders of ABT (excluding the Company and UBC), on a pro rata basis: (A) in cash, as to an aggregate minimum of $5,000,000; and (B) in shares of the Company (or its assignees) as to the balance of the ABT 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 the Company (or its assignees) ending on the trading day preceding the date on which the Company provides notice to ABT that it is exercising the ABT Additional Option; or

6. Notes Receivable – Continued

Agreement with ABT Innovations Inc. - Continued

b. if the Company's shares are not listed on a recognized stock exchange, the ABT 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.

Agreement with ABT Innovations Inc. and University of British Columbia

Concurrently with the entering into of the ABT Option Agreement, the Company, ABT and UBC entered into an option agreement (the "UBC Option Agreement") dated May 14, 2021, pursuant to which UBC granted the Company an option (the "UBC Option") to purchase all of the shares held by UBC in the capital of ABT in exchange for payment by the Company of UBC's pro rata interest of the ABT Additional Option Exercise Price. The UBC Option is conditional upon the Company exercising the ABT Additional Option and the license agreement between ABT and UBC dated April 25, 2017 being in good standing. Payment of UBC's pro rata portion of the ABT Additional Exercise Price shall be in the same manner as the Company's payment of the ABT Additional Option Exercise Price to the remaining shareholders of ABT pursuant to the terms of the ABT Option Agreement.

Agreement with Sepset Biosciences Inc.

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

The Company agrees to subscribe for, and Sepset agrees to issue, unsecured convertible notes of the Sepset (the "Sepset 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 "Sepset Note Subscription Date") set forth below: (a) $500,000 on the Sepset Effective Date; (b) $500,000 on the four month anniversary of the Sepset Effective Date; (c) $500,000 on the eight month anniversary of the Sepset Effective Date; (d) $500,000 on the twelve month anniversary of the Sepset Effective Date; and (e) $500,000 on the last Business Day prior to the sixteen month anniversary of the Sepset Effective Date. Notwithstanding the foregoing, the Company is not obligated to subscribe for any Sepset Notes where a Sepset Note Subscription Date occurs after the exercise date of the Sepset Option. The Sepset 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 Sepset Option Agreement is breached due to the Company's failure to fund the Sepset Notes on the Sepset Note Subscription Dates.

The Sepset Notes can be converted by the Company 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 Sepset Automatic Conversion Calculation (as defined below), and the Sepset Note(s) shall be terminated, and the total aggregate principal amount shall be automatically applied towards satisfaction of the Company's payment for such shares. The number of Sepset Shares to be determined by Sepset 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

6. Notes Receivable – Continued

Agreement with Sepset Biosciences Inc. - Continued

conversion of all outstanding convertible securities of the Sepset other than the Sepset Notes, with (b) the product obtained by 10.02 multiplied by the number of Sepset 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 Sepset Notes outstanding as of the Expiry Date, Breach Date, or Default Date, as applicable, from (d) 100 (the "Sepset Automatic Conversion Calculation"). On May 14, 2021, the Company subscribed for the $500,000 note referred to in (a) above. On September 14, 2021, the Company subscribed for the $500,000 note referred to in (b) above by issuing a demand promissory note.

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

a. if the Company's shares (including any shares of any assignee of the Company, including, without limitation, TLS upon completion of the transactions contemplated in the Amalgamation Agreement) are listed on a recognized stock exchange, the Sepset Additional Option Exercise Price shall be payable to the shareholders of Sepset (excluding the Company), on a pro rata basis: (A) in cash, as to an aggregate minimum of $5,000,000; and (B) in shares of the Company (or its assignees) as to the balance of the Sepset 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 the Company (or its assignees) ending on the trading day preceding the date on which the Company provides notice to Sepset that it is exercising the Sepset Additional Option; or

b. if the Company's shares are not listed on a recognized stock exchange, the Sepset Additional Option Exercise Price shall be payable in cash, on a pro rata basis, as to the full $20,000,000.

7. Promissory Notes Payable

On September 14, 2021 the Company issued two demand promissory notes of $500,000 to each of ABT and Sepset. The demand promissory notes were issued as consideration of the second tranche payment under the Option Agreements with ABT and Sepset, respectively. The demand promissory notes are non-interest bearing and will become due and payable upon the date which the Company exercises its option to acquire a 50.1% fully diluted equity interest in each of ABT and Sepset, respectively.

(Expressed in Canadian dollars)

7. Share Capital and Reserves

Shares

The Company is authorized to issue: (i) an unlimited number of Class A common voting shares without nominal or par value ("ASEP A Shares"), (ii) an unlimited number of Class B common non-voting shares without nominal or par value, and (iii) an unlimited number of Class C common non-voting shares without nominal or par value.

Issued Share Capital

As at September 30, 2021, the Company had 18,000,000 ASEP A Shares issued and outstanding and no other shares were issued and outstanding.

Issued Share Capital – Continued

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

- In May 2021, 18,000,000 share purchase warrants were exercised resulting in the issuance of 18,000,000 ASEP A Shares for total proceeds of $303,000.
- In May 2021, 1 ASEP A Share was cancelled and proceeds of $1 were repaid to the original shareholder.

Common Share Purchase Warrants

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number	Weighted Average Exercise Price $
Balance, December 31, 2020	18,000,000	0.017
Issued	-	-
Exercised	(18,000,000)	$ 0.017
Balance, September 30, 2021	-	-

8. Convertible Debentures

During the nine months ended September 30, 2021, the Company issued $704,000 in convertible debentures to unrelated parties of the Company (the "Convertible Debentures) and $35,000 in Convertible Debentures to related parties of the Company. During the period from November 27, 2020 to December 31, 2020, the Company issued $1,300,000 in Convertible Debentures to unrelated parties of the Company. The Convertible Debentures bear interest at a rate of 8% per annum payable at maturity, mature one year from the date of issuance, and are secured by all of the property and undertaking of the Company.

As at September 30, 2021, $nil in subscriptions receivable (December 31, 2020 - $940,000) related to these Convertible Debentures were due to the Company.

8. Convertible Debentures – Continued

Pursuant to the terms of the Convertible Debentures, upon a liquidity event ("Liquidity Event"), being the first to occur of: (a) an equity raise by the Company resulting in aggregate proceeds of no less than $5,000,000; or (b) the completion of a go public transaction and listing on a recognized stock exchange, the outstanding amount of the Convertible Debentures including interest accrued hereunder) shall automatically convert, in whole without any further action by the holder of the Convertible Debentures into one common share of the Company (a "Common Share") at a conversion price equal to the lesser of (i) 75% of the offering price per share of the stock sold by the Company on the Liquidity Event or (ii) the price equal to the quotient of $8,000,000 divided by the aggregate number of outstanding shares of the Company's common shares on the Liquidity Event (assuming full conversion or exercise of all convertible and exercisable securities then outstanding other than the Convertible Debentures). The "Conversion Price" will be subject to adjustment for stock splits, consolidations, dividends and similar events.

In May and June 2021, in connection with the completion of the transactions contemplated under the Amalgamation Agreement, the holders of the Convertible Debentures agreed to amend the terms of the Convertible Debentures such that all principal payable under the Convertible Debentures would convert into ASEP A Shares on a certain date to be determined by the directors of the Company, calculated by dividing (A) by (B), where (A) is $8,000,000, and where (B) is the product obtained by adding (x) the number of ASEP A Shares that are issued and outstanding as of the date of the conversion on a fully diluted basis assuming conversion of all outstanding convertible securities of the Company other than the Convertible Debentures, with (y) the number of common shares issuable by TLS in connection with its non-brokered special warrant financing. All accrued interest payable in connection with the Convertible Debentures is to be paid in cash on the date of the conversion.

The conversion feature of the Convertible Debentures have been identified as an embedded derivative. The fair value of the derivative component was calculated using 75% of the offering price per share of the stock sold by the Company and was determined to be $668,000, with the residual amount of $1,336,000 being allocated to Convertible Debentures. At June 30, 2021, the derivative liability was revalued due to an amendment to the conversion price. The fair value of the derivative component was calculated using the Black–Scholes pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 0.094% and expected life of 3 months. The resultant fair value gain of $267,259 was recognized in the statement of loss.

In relation to the financing, the Company paid $120,240 in finder's fees. Finders fees of $78,160 were recorded as a reduction to the Convertible Debentures and $42,080 related to the derivative liability was expensed.

During the nine months ended September 30, 2021, the Company recorded accretion expense of $525,930 to reflect the unwinding of the discount. As at September 30, 2021, $2,029,000 of the face value of Convertible Debenture notes remained outstanding (December 31, 2020 - $1,300,000).

9. 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.

9. Related Party Transactions and Balances – Continued

As at September 30, 2021, included in the accounts payable and accrued liabilities balance was $3,000 payable to a director and shareholder of the Company for issuance fees related to convertible debentures (December 31, 2020 - $nil).

In July 2021, the Company issued an aggregate of $10,000 in Convertible Debentures to related parties of the Company.

10. Subsequent Events

Amalgamation

On November 9, 2021, the Company completed the Amalgamation Agreement entered into on June 3, 2021, as described in Note 1.

Debenture Conversion

On November 9, 2021 and pursuant to the amalgamation agreement, the ASEP Debentures were converted into shares of the Company at a conversion price of $0.269074886904462. Upon the conversion, the Company paid out interest of $130,522 on the ASEP Debentures.

ABT Option Agreement Exercise

On November 10, 2021, the Company exercised the ABT Option to acquire 50.1% of the common shares of the ABT, on a fully diluted basis, in exchange for aggregate cash consideration of $2,500,000. On November 12, 2021, the Company paid $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 received 2,032,861 ABT shares, representing a 50.1% fully diluted equity interest in the Company.

Sepset Option Agreement Exercise

On November 10, 2021, the Company exercised the Sepset Option to acquire 50.1% of the common shares of Sepset, on a fully diluted basis, in exchange for aggregate cash consideration of $2,500,000. On November 12, 2021, the Company paid $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, the Company received 11,155,645 Sepset Shares, representing a 50.1% fully diluted equity interest in the Company.