ASEP MEDICAL HOLDINGS INC.

Condensed Interim Consolidated Financial Statements

As at and for the three month period ended March 31, 2023

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 Holdings Inc.
Condensed Interim Consolidated Statements of Financial Position - unaudited
(Expressed in Canadian Dollars)

	Notes	March 31, 2023	December 31, 2022
Assets			
Current assets			
Cash		$ 1,550,739	$ 2,130,390
GST receivable		24,831	114,619
Deposits and prepaid expenses		795,924	1,153,636
		2,371,494	3,398,645
Non-current assets			
Equipment	5	47,869	50,204
Intangible assets	6	23,312,695	23,629,740
		23,360,564	23,679,944
TOTAL ASSETS		$ 25,732,058	$ 27,078,589
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 511,084	$ 528,161
TOTAL LIABILITIES		511,084	528,161
Equity			
Share capital	4,8	20,412,132	19,842,132
Other components of equity	7,8	2,691,495	2,352,934
Deficit		(8,667,077)	(6,725,067)
		14,436,550	15,469,998
Non-controlling interests	9	10,784,424	11,080,429
TOTAL EQUITY		25,220,974	26,550,427
TOTAL LIABILITIES AND EQUITY		$ 25,732,058	$ 27,078,589

Nature of operations and going concern (note 1)

On behalf of the board:

(signed) Derrold Norgaard
Derrold Norgaard, Chairman of the Audit Committee and Independent Director

(signed) Richard Heinzl
Dr. Richard Heinzl, Independent Director

ASEP Medical Holdings Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss - unaudited
(Expressed in Canadian Dollars)

	Notes	For the three month period ended March 31, 2023	2022
Expenses			
Amortization		$ 320,607	$ 321,279
Compensation		203,100	130,965
Consulting		83,525	155,818
General & administrative		101,353	89,623
Investor relations		312,349	170,231
Patent fees		6,817	15,005
Professional fees		102,822	80,456
Research & development costs		195,887	110,508
Share-based compensation		330,423	486,353
		1,656,883	1,560,238
Operating loss		(1,656,883)	(1,560,238)
Other income (expenses)			
Borrowing costs		(8,138)	-
Foreign exchange gain (loss)		(2,994)	(513)
SafeCoat Medical Inc. acquisition expense	4	(570,000)	-
Loss and comprehensive loss for period		$ (2,238,015)	$ (1,560,751)
Net loss and comprehensive loss attributable to:			
Shareholders		$ (1,942,010)	$ (1,401,838)
Non-controlling interests		(296,005)	(158,913)
		$ (2,238,015)	$ (1,560,751)
Loss per share - basic and fully diluted		$ (0.03)	$ (0.02)
Weighted average number of common shares - basic and fully diluted		58,830,344	56,130,344

ASEP Medical Holdings Inc.
Condensed Interim Consolidated Statement of Changes in Equity – unaudited
(Expressed in Canadian Dollars)

	Share Capital		Other components of equity						
	Shares	**Amount**	**Convertible Debenture**	**Warrants**	**Contributed Surplus**	**Deficit**	**Equity Attributable to Shareholders**	**Non-Controlling Interest**	**Total Equity**
Balance - December 31, 2021	56,130,344	$ 19,467,132	$ -	$ 35,921	$ 956,227	$ (2,200,086)	$ 18,259,194	$ 12,312,734	$ 30,571,928
Share-based compensation		-	-	-	486,353	-	486,353	-	486,353
Net loss and comprehensive loss for period		-	-	-	-	(1,401,838)	(1,401,838)	(158,913)	(1,560,751)
Balance - March 31, 2022	56,130,344	$ 19,467,132	$ -	$ 35,921	$ 1,442,580	-$ 3,601,924	$ 17,343,709	$ 12,153,821	$ 29,497,530
Balance-December 31, 2022	62,130,344	$ 19,842,132	$ 241,714	$ -	$ 2,111,220	$ (6,725,067)	$ 15,469,998	$ 11,080,429	$ 26,550,427
Release of contingently returnable shares		570,000	-	-	-	-	570,000	-	570,000
Borrowing costs		-	8,138	-	-	-	8,138	-	8,138
Share-based compensation		-	-	-	330,423	-	330,423	-	330,423
Net loss and comprehensive loss for period		-	-	-	-	(1,942,010)	(1,942,010)	(296,005)	(2,238,014)
Balance - March 31, 2023	62,130,344	$ 20,412,132	$ 249,852	$ -	$ 2,441,643	$ (8,667,077)	$ 14,436,550	$ 10,784,424	$ 25,220,974

(Expressed in Canadian Dollars)

	Notes	For the three month period ended March 31, 2023	2022
Cash provided by (used for) operating activities			
Loss for period		$ (2,238,015)	$ (1,560,751)
Items not involving cash			
Amortization		320,607	321,279
Borrowing costs		8,138	-
SafeCoat acquisition expenses	4	570,000	-
Share-based compensation		330,423	486,353
Changes in operating assets and liabilities			
GST receivable		89,788	(9,888)
Deposits and prepaid expenses		357,712	(169,753)
Accounts payable and accrued liabilities		(17,077)	(65,355)
		(578,424)	(998,115)
Cash flows provided by (used for) investing activities			
Purchase of equipment		(1,227)	-
		(1,227)	-
Increase (decrease) in cash		(579,651)	(998,115)
Cash - beginning of period		2,130,390	5,290,070
Cash - end of period		$ 1,550,739	$ 4,291,955
Non cash investing and financing activities			
Consideration given to acquire SafeCoat Medical Inc.		$ 570,000	$ -

1. Nature of operations and going concern

ASEP Medical Holdings Inc. (formerly Trenchant Life Sciences Investment Corp.) (the "Company" or "ASEP") was incorporated under the British Columbia Business Corporations Act on January 20, 2021. On November 22, 2021, the Company commenced trading on the Canadian Securities Exchange (the "CSE") as a life sciences issuer under the trading symbol "ASEP". The Company's head office is located at Unit 420, 730 View Street, Victoria, BC V8W 3Y7. ASEP is in the business of acquiring research and development assets, technologies and/or businesses in the area of life sciences and medical diagnostics.

These condensed interim consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for at least the next twelve months from March 31, 2023 and will be able to realize on its assets and discharge its liabilities in the normal course of business. For the three month period ended March 31, 2023, the Company incurred a net loss of $2,238,015 and used cash in operating activities of $578,424. As at March 31, 2023, the Company had an accumulated deficit of $8,667,077 and working capital of $1,860,410.

Based on the Company's financial position as at March 31, 2023, the available funds are not considered adequate to meet requirements for the estimated operations and development activities on the Company's technologies in the coming twelve-month period. These requirements may be adversely impacted by an absence of normal available financing due to the continued uncertainty in the markets. To address its financing requirements, the Company will seek financing through and not limited to debt financing, equity financing and strategic alliances. However, there is no assurance that such financing will be available. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

2. Statement of compliance and basis of presentation

These condensed interim consolidated financial statements are prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted.

These condensed interim financial statements follow the same accounting policies and methods of application as the Company's audited consolidated financial statements for the year ended December 31, 2022. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of May 24, 2023 the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2022.

3. Significant accounting policies

The financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4 in the Company's annual financial statements for the year ended December 31, 2022.

These condensed interim consolidated financial statements are prepared in Canadian dollars. The functional currency of the Company is Canadian dollars.

4. Acquisition

SafeCoat Medical Inc.

On December 1, 2022, the Company entered into an Earn-In and Option Agreement (the "Agreement") with SafeCoat Medical Inc. ("SafeCoat") and the securityholders of SafeCoat (the "Securityholders"). Pursuant to the terms of the Agreement, the Company will earn a 50.1% interest of the voting equity securities of SafeCoat in consideration for services the Company provides to SafeCoat in connection with the grant of a term sheet (the "Term Sheet") by the University of British Columbia ("UBC") to SafeCoat for the use, development and commercialization of a peptide medical device coating technology (the "Technology").

The Securityholders also granted the Company the option to acquire their collective 49.9% equity interest in SafeCoat.

On December 8, 2022, the Company earned a 50.1% equity interest in SafeCoat in consideration of the services provided in connection with the grant of a License to SafeCoat by UBC for the use, development and commercialization of a peptide medical device coating technology. The estimated fair value of the 6,526,052 common shares issued to Asep being $150,752.

On December 12, 2022, the Company exercised its option to acquire the remaining 49.9% equity interest in SafeCoat from the Securityholders. The Option was exercised by the Company issuing 6,000,000 common shares from treasury of which 3,000,000 (note 8) common shares are contingently returnable, as they are subject to a Voluntary Escrow Agreement. Release from escrow is based on certain milestones being met, as follows:

i. 25% will be released on the date of the option exercise (released December 12, 2022);

ii. 25% will be released on the date the Company and UBC enter into a definitive License Agreement;

iii. 25% will be released on the date that a patent with respect to the Technology is published in Google Patents (released January 18, 2023); and,

iv. 25% will be released on the date the Company confirms that SafeCoat has reasonably demonstrated activity of antifouling on surfaces.

The estimated fair value of the 1,500,000 shares issued on December 12, 2022 was $375,000. The estimated fair value of the 1,500, 000 shares issued on January 18, 2023 was $570,000 and has been expensed in the three month period ended March 31, 2023.

(Expressed in Canadian Dollars)

4. Acquisition – continued

At the date of acquisition, the Company determined that SafeCoat did not constitute a business as defined under IFRS 3, Business Combinations, and the acquisition was accounted for as an asset acquisition. Accordingly, the consolidated statement of financial position has been adjusted for the elimination of SafeCoat's share capital and accumulated deficit. The consideration has been measured at fair value using the closing market price at the date the option was exercised of $0.25 per share (note 8).

Net assets (liabilities) acquired on December 8, 2022:		
Cash	$	132,618
Accounts payable and accrued liabilities		(7,388)
Net assets (liabilites) acquired	$	125,231
Consideration given:		
Common shares	$	375,000
Services		150,752
		525,752
Net (assets) liabilites acquired		(125,231)
SafeCoat acquisition expense	$	400,521

The intangible asset that will be acquired when the license to the use, development and commercialization of a peptide medical device coating technology is granted to SafeCoat by the University of British Columbia.

5. Equipment

	March 31, 2023	December 31, 2022
Cost	$ 66,641	$ 65,414
Accumulated amortization	(18,772)	(15,210)
	$ 47,869	$ 50,204

6. Intangible assets

	Intellectual Property	Website	Trademarks	Total
Cost				
Balance -December 31, 2022 and March 31, 2023	$ 25,020,943	$ 49,404	$ 6,660	$ 25,077,007
Accumulated amortization				
Balance -December 31, 2022	$ 1,424,804	$ 21,737	$ 727	$ 1,447,267
Amortization	312,762	4,117	166	317,045
Balance -March 31, 2023	$ 1,737,566	$ 25,854	$ 893	$ 1,764,312
Net carrying value - December 31, 2022	$ 23,596,140	$ 27,667	$ 5,933	$ 23,629,740
Net carrying value - March 31, 2023	$ 23,283,378	$ 23,550	$ 5,767	$ 23,312,695

7. Convertible debentures

On December 22, 2022, the Company issued a $330,000 convertible debenture ("Convertible Debenture") to an unrelated party of the Company. The Convertible Debenture is unsecured, bears interest at a rate of 10% per annum payable at the earlier of maturity, payment of principal or conversion during the term and matures two years from the date of issuance. The Convertible Debenture and accrued interest thereon, may be converted at the option of the holder at a conversion price of $0.33 per common share until maturity. At maturity, the Company, at its option, may settle the Convertible Debenture and accrued interest thereon, in cash or common shares at a conversion price of $0.33 per common share. The Company may also, at its option, prepay any portion of the Convertible Debenture and accrued interest thereon prior to maturity.

The Company evaluated the Convertible Debenture, embedded conversion option and embedded prepayment option and determined that all components of the compound financial instrument met the criteria for classification as equity. The deferred tax liability on date of issuance was $89,100. As at March 31, 2023, borrowing costs totaled $8,952 (December 31, 2022 - $814).

8. Share capital

Authorized share capital

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

Escrowed shares

As at March 31, 2023, 1,778,731 (December 31, 2022 – 1,778,731) shares are being held in escrow. The shares are being released over a 36-month term that commenced on January 23, 2022.

As at March 31, 2023, 3,000,000 (December 31, 2022 – 4,500,000) shares are subject to a voluntary escrow agreement and will be released in allotments of 1,500,000 based on certain milestones being met (note 4).

Stock options

In July 2021, the Company adopted a stock option plan ("Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company stock options to purchase common shares, provided that the number of common shares reserved for issuance under the Plan shall not exceed 10% of the issued and outstanding common shares at the time of grant. The Board of Directors shall determine the exercise price and the term of the stock options at the time of grant. If the shares are listed on a stock exchange, then the exercise price for the options granted will not be less than the minimum prevailing price permitted by the stock exchange. If the shares are not listed, posted and trading on any stock exchange or quoted on any quotation system, the exercise price will be determined by the Board at the time of granting.

(Expressed in Canadian Dollars)

8. **Share capital - continued**

During the three month period ended March 31, 2023, the Company granted 700,000 stock options with an estimated fair value of $171,531. A total of 450,000 vested on grant date, 50,000 vest every three months over a twenty-four-month period and 200,000 vest every six months over a twenty-four-month period. The stock options were valued using the Black-Scholes model based on the following assumptions:

Expected life	Volatility	Dividend yield	Risk-free interest rate	Option issued		Estimated fair value
10 years	100%	0%	2.75%	300,000	$	97,304
10 years	100%	0%	3.39%	300,000		74,227
				600,000	$	171,531

During the three month period ended March 31, 2023, the Company adopted a Long-Term Performance Incentive Plan (the "Plan"). Under the terms of the Plan, the Company has the ability to issue restricted stock units ("RSUs), performance share units ("PSUs) or deferred share units up to a maximum of 10% of the shares issued and outstanding at date of grant to certain directors, officers, key executive and non-executive employees, consultants and advisory board members.

On March 1, 2023, the Company granted an aggregate of 6,200,000 RSUs with an estimated fair value of $1,705,000. The RSUs vest in stages, as follows: 25% on June 1, 2023, 25% on September 1, 2023, 25% on December 1, 2023 and 25% on March 1, 2024. All of the RSUs are subject to a deferral right whereby the holder can defer any vesting date at their option, on five days prior written notice to the Company and in accordance with the terms of the RSU grant notice, to the earlier of the date of a change of control of the Company and the date the holder ceases to provide services to the Company and to be an eligible person. The RSUs and underlying common shares are subject to shareholder approval.

During the three month period ended March 31, 2023, the Company recognized $297,988 (2022 - $956,227) of share-based compensation for the vesting of stock options and RSUs granted.

A continuity of stock options for the three month period ended March 31, 2023 and the year ended December 31, 2022 is as follows:

	March 31, 2023			December 31, 2022		
	Number of options outstanding		Weighted average exercise price	Number of options outstanding		Weighted average exercise price
Opening balance	5,420,000	$	0.46	4,540,000	$	0.50
Granted	700,000	$	0.33	1,080,000	$	0.30
Cancelled	-	$	-	(200,000)	$	0.50
Closing balance	6,120,000	$	0.45	5,420,000	$	0.46

(Expressed in Canadian Dollars)

8. Share capital - continued

The following stock options are outstanding at March 31, 2023:

Number of options outstanding	Number of options outstanding and exercisable	Range of exercise prices of options outstanding and exercisable	Weighted average exercise price of options exercisable	Weighted average remaining contractual life
4,340,000	3,974,521	$ 0.50	$ 0.37	6.13
200,000	150,137	$ 0.30	$ 0.01	0.31
200,000	49,589	$ 0.30	$ 0.00	0.31
680,000	680,000	$ 0.30	$ 0.04	1.07
400,000	355,205	$ 0.36	$ 0.02	0.64
300,000	108,208	$ 0.30	$ 0.01	0.49
6,120,000	5,317,660		$ 0.38	8.46

9. Non-controlling interests

ASEP holds a 50.1% equity interest in ABT and Sepset with the remaining 49.9% held by various other parties.

At March 31, 2023 and December 31, 2021, the NCI consisted of the following:

	March 31, 2023	December 31, 2022
ABT	$ 5,482,824	$ 5,602,460
Sepset	5,301,600	5,477,969
Total	$ 10,784,424	$ 11,080,429

The below is the summarized financial information of ABT and Sepset before inter-company eliminations:

Summary of statements of financial position

	ABT		Sepset	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
NCI percentage	49.90%	49.90%	49.90%	49.90%
Assets	$ 13,086,026	$ 13,347,551	$ 12,649,776	$ 13,011,037
Less - liabilities	(86)	(21,859)	(41,737)	(49,555)
Total net assets	$ 13,085,939	$ 13,325,692	$ 12,608,038	$ 12,961,482

Summary statements of loss and comprehensive loss

	For the three month period ended March 31, 2023		
	ABT	Sepset	Total
Loss and comprehensive loss for period	$ (239,752)	$ (353,444)	$ (593,197)

	For the three month period ended March 31, 2022		
	ABT	Sepset	Total
Loss and comprehensive loss for period	$ (117,356)	$ (44,264)	$ (161,620)

(Expressed in Canadian Dollars)

9. Non-controlling interests - continued

Summary statements of cash flows

	For the three month period ended March 31, 2023		
	ABT	Sepset	Total
	$	$	$
Net cash provided by (used in) operations activities	14,768	(95,501)	(80,733)
Net cash provided by (used in) investing activities	-	(1,227)	(1,227)
Net cash provided by (used in) financing activities	(125,050)	(55,000)	(180,050)

	For the three month period ended March 31, 2022		
	ABT	Sepset	Total
	$	$	$
Net cash provided by (used in) operations activities	(9,228)	(99,900)	(109,128)
Net cash provided by (used in) investing activities	-	-	-
Net cash provided by (used in) financing activities	-	-	-

Changes to NCI

	ABT	Sepset	Total
Balance – December 31, 2022	$ 5,602,460	$ 5,477,969	$ 11,080,429
NCI's share of loss	(119,636)	(176,369)	(296,005)
Balance – March 31, 2023	$ 5,482,824	$ 5,301,600	$ 10,784,424

10. Related party transactions

Key management personnel compensation

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.

	Three month period ended March 31,	
	2023	2022
Consulting fees	$ 52,500	$ 155,818
Directors fees	18,000	-
Management salaries	108,375	100,000
Share-based compensation	215,455	486,353
	$ 394,330	$ 742,171

(Expressed in Canadian Dollars)

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. As at March 31, 2023, the Company's maximum credit risk was $1,550,739.

Liquidity risk

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

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

As of March 31, 2023, the Company had working capital of $1,860,410, which was considered insufficient (note 1).

The Company's contractual obligations at March 31, 2023 are as follows:

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 511,084	$ -	$ -	$ 511,084

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 convertible debenture has a fixed interest rate. Interest rate risk is assessed as low.

Capital Management

The Company's policy is to maintain a strong capital base 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, reserves and deficit. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

11. Financial risk and capital management - continued

Classification of financial instruments

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

	March 31, 2023	December 31, 2022
Financial assets at FVTPL:		
Cash	$ 1,550,739	$ 2,130,390
Financial assets at amortized cost:		
GST receivable	$ 24,831	$ 114,619

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

	March 31, 2023	December 31, 2022
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	$ 511,084	$ 528,161

Fair value

The fair values of the Company's financial assets and liabilities approximate the carrying amounts due to their short-term nature.

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 measured at fair value on a recurring basis classified as level 1 – quoted prices in active markets include cash and cash equivalents.