

**51-102F3**  
**MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

ASEP Medical Holdings Inc. (the “**Company**”)  
420 – 730 View Street  
Victoria, BC V8W 3Y7

**Item 2 Date of Material Change**

July 21, 2023

**Item 3 News Release**

The news release dated July 31, 2023 was disseminated via CNW.

**Item 4 Summary of Material Change**

On July 21, 2023, the Company entered into an exclusive license agreement (the “**Agreement**”), as may be amended from time to time, with the University of British Columbia (“**UBC**”), through its subsidiary SafeCoat Medical Inc. (“**SafeCoat**”), for the use, development and commercialization of a medical device coating technology (the “**License**”). As consideration for the grant of the License, SafeCoat will issue common shares in the capital of SafeCoat (the “**SafeCoat Shares**”) such that UBC and certain non-waiving inventors will collectively own 12% of the issued and outstanding shares of SafeCoat (the “**Share Consideration**”). SafeCoat will also pay royalty fees, an annual license fee, and a milestone payment to UBC pursuant to the terms and conditions of the Agreement.

**Item 5 Full Description of Material Change**

*5.1 Full Description of Material Change*

On July 21, 2023 (the “**Start Date**”), SafeCoat entered into the Agreement with UBC, as may be amended from time to time, pursuant to which UBC granted the License to the Company for the use, development, and commercialization of medical device coating technology associated with patent PCT/CA2022/050883 (the “**Patent**”) and any improvements to the Patent. The Patent was invented by Dr. Jayachandran Kizhakkedathu, Dr. Dirk Lange, Dr. Robert Hancock, and Dr. Kai Yu (the “**Non-Waiving Inventors**”).

The Agreement was effective as of the Start Date and ends on the later of: (i) the day that is exactly 20 years later; or (ii) the expiry of the last Patent licensed under the Agreement (collectively, the “**Term**”). Pursuant to the Agreement, UBC will continue to own all rights in and to the Patent, including rights to any improvements made by UBC or jointly by UBC and SafeCoat. SafeCoat will own all right, title and interest in and to any improvements made to the Patent solely by SafeCoat. As part of the Agreement, SafeCoat agreed that it will use commercially reasonable efforts to complete a financing (the “**Initial Financing**”) through the sale of its securities for aggregate gross proceeds of not less than CAD \$500,000 within 24 months of executing the Agreement.

In consideration for the grant of the License by UBC, SafeCoat will pay UBC a royalty equal to 3.75% of the worldwide revenue derived from the development, marketing, manufacturing, sale, use or distribution of the Patents and any improvements, and/or any products derived through the use of the Patents (each, a “**Product**”). In addition, SafeCoat will pay a percentage of the worldwide revenue derived from sublicensing the Patent to UBC, ranging from 12% to 15% at certain milestones as expressed in the Agreement, a copy of which is available on the Company’s profile at [www.sedar.com](http://www.sedar.com).

As further consideration for the License, SafeCoat will issue to UBC and the Non-Waiving Inventors shares in the capital of the Company (the “**Consideration Shares**”) equal in the aggregate to at least 12% of all issued and outstanding shares of each share class of the Company as of the Start Date, calculated on a fully-diluted basis (the “**UBC Percentage**”). The issuance of the Consideration Shares is subject to a top-up provision whereby SafeCoat agreed to issue additional shares to UBC and the Non-Waiving Inventors to maintain the UBC Percentage prior to closing the Initial Financing.

SafeCoat will also pay an annual licence fee to UBC on or before January 1st of each year during the Term as follows: \$5,000 from 2024 to 2026, \$10,000 from 2027 to 2029, \$15,000 from 2030 to 2032, \$50,000 from 2033 and each successive year thereafter. In addition, SafeCoat will make a milestone payment of \$150,000 to UBC upon each Product receiving 510(k) clearance or premarket approval, or equivalent if outside the United States.

**The following supplementary information is provided in accordance with Section 5.2 of MI 61-101.**

***(a) a description of the transaction and its material terms:***

See Item 4 above.

***(b) the purpose and business reasons for the transaction:***

The Company, through SafeCoat, intends to develop and commercialize the medical device coating technology protected by the Patent. The Company anticipates that this transaction will create significant new market opportunities as it tackles the problem of maintaining sterile surfaces on medical devices and implants.

***(c) the anticipated effect of the transaction on the issuer’s business and affairs:***

See Item 4 above.

***(d) a description of:***

***(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:***

Dr. Robert Hancock is a related party to the transaction because he is receiving 12.5% of the Consideration Shares, which represents 1.5% of the total issued and outstanding SafeCoat Shares, as a Non-Waiving Investigator, while also being a Director and Chief Executive Officer of the Company.

- (ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:***

As a result of the transaction, Dr. Hancock has acquired an equity interest equal to 1.5% of the total SafeCoat Shares issued and outstanding at the Start Date, subject to further share issuances prior to closing the Initial Financing as required to maintain the UBC Percentage. Dr. Hancock had no SafeCoat Shares prior to the issuance of the Consideration Shares.

- (e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:***

The Agreement was ratified, authorized, and approved by members of the board of directors of SafeCoat. A special committee was not established in connection with the approval of the Agreement, and no materially contrary view or abstention was expressed or made by any director.

- (f) a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:***

The issuance of the Consideration Shares to Dr. Hancock is exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in 5.5(b) of MI 61-101 as the Company's common shares are not listed on a specified market.

- (g) disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that related to the subject matter of or is otherwise relevant to the transaction:***

- (i) that has been made in the 24 months before the date of the material change report:***

Not applicable.

- (ii) the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:***

Not applicable.

***(h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:***

SafeCoat entered into a subscription agreement with Dr. Hancock for his portion of the Consideration Shares. Dr. Hancock will also become a party to a shareholders' agreement among SafeCoat and all of the SafeCoat shareholders.

See Item 4 above and the attached news release for a full description of the Consideration Shares being issued to Dr. Hancock.

***(i) disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:***

MI 61-101 requires that issuers obtain a formal valuation and minority shareholder approval of related party transactions, unless an applicable exemption is available. The issuance of the Consideration Shares to Dr. Hancock is exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in 5.5(b) of MI 61-101 as the Company's common shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(1)(a) of MI 61-101 in that the fair market value of the Consideration Shares to be issued to Dr. Hancock do not exceed 25% of the Company's market capitalization.

As this material change report is being filed less than 21 days before the transaction, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company it was necessary to immediately enter into the Agreement and therefore, such shorter period was reasonable and necessary in the circumstances.

**5.2 Disclosure for Restructuring Transactions**

Not applicable.

**Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

None

**Item 8 Executive Officer**

Timothy Murphy, Chief Operating Officer  
Telephone: 778.600.0509

**Item 9 Date of Report**

August 9, 2023