

ASEP MEDICAL HOLDINGS INC.
Condensed Interim Consolidated Financial Statements
As at and for the nine month period ended September 30, 2023

Expressed in Canadian Dollars
(Unaudited – prepared by management)

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

	Notes	September 30, 2023	December 31, 2022
Assets			
Current assets			
Cash		\$ 263,115	\$ 2,130,390
GST receivable		40,125	114,619
Deposits and prepaid expenses		206,934	1,153,636
		510,174	3,398,645
Non-current assets			
Equipment	5	40,745	50,204
Intangible assets	6	23,272,359	23,629,740
		23,313,104	23,679,944
TOTAL ASSETS		\$ 23,823,278	\$ 27,078,589
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 648,979	\$ 528,161
TOTAL LIABILITIES		648,979	528,161
Equity			
Share capital	4,8	22,619,103	19,842,132
Other components of equity	7,8	3,281,223	2,352,934
Deficit		(12,934,830)	(6,725,067)
		12,965,496	15,469,999
Non-controlling interests	9	10,208,803	11,080,429
TOTAL EQUITY		23,174,299	26,550,428
TOTAL LIABILITIES AND EQUITY		\$ 23,823,278	\$ 27,078,589

Nature of operations and going concern (note 1)
Subsequent event (note 12)

On behalf of the board:

“/s/ Derrold Norgaard”

Derrold Norgaard, Chairman of the Audit
Committee and Independent Director

“/s/ 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		For the nine month period ended	
		2023	September 30, 2022	2023	September 30, 2022
Expenses					
Amortization		\$ 325,804	\$ 320,494	\$ 967,032	\$ 961,889
Board advisory fees		65,580	-	165,866	38,486
Compensation	10	195,475	132,237	596,375	395,360
Consulting	10	102,108	43,245	387,269	324,985
General & administrative		60,411	49,490	163,375	141,079
Investor relations		148,679	247,679	762,221	668,176
Patent fees		34,609	6,394	58,967	72,434
Professional fees		63,011	65,377	362,357	264,458
Research & development costs		190,565	89,904	597,638	361,747
Share-based compensation	8,10	428,809	184,803	1,730,578	949,740
Transfer agent & filing fees		11,514	7,372	53,772	35,980
		1,626,565	1,146,995	5,845,450	4,214,334
Operating loss		(1,626,565)	(1,146,995)	(5,845,450)	(4,214,334)
Other income (expenses)					
Borrowing costs	7	(8,318)	-	(24,683)	-
Foreign exchange gain (loss)		(3,837)	45	(7,847)	(469)
SafeCoat Medical Inc. acquisition expense	4	-	-	(1,275,000)	-
Loss and comprehensive loss for period		\$ (1,638,720)	\$ (1,146,950)	\$ (7,152,980)	\$ (4,214,803)
Net loss and comprehensive loss attributable to:					
Shareholders		\$ (1,315,498)	\$ (751,861)	\$ (6,209,763)	\$ (3,306,732)
Non-controlling interests		(323,222)	(395,089)	(943,217)	(908,071)
		\$ (1,638,720)	\$ (1,146,950)	\$ (7,152,980)	\$ (4,214,803)
Loss per share - basic & fully diluted		\$ (0.02)	\$ (0.01)	\$ (0.10)	\$ (0.06)
Weighted average number of common shares - basic & fully diluted					
		63,634,219	56,130,344	60,747,035	56,130,344

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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

	Share Capital		Other components of equity			Deficit	Equity Attributable to Shareholders	Non- Controlling Interest	Total Equity
	Shares	Amount	Convertible Debenture	Warrants	Contributed Surplus				
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		-	-	-	949,740	-	949,740	-	949,740
Net loss and comprehensive loss for period		-	-	-	-	(3,306,732)	(3,306,732)	(908,071)	(4,214,803)
Balance - September 30, 2022	56,130,344	\$ 19,467,132	\$ -	\$ 35,921	\$ 1,905,967	(5,506,818)	\$ 15,902,202	\$ 11,404,663	\$ 27,306,865
Balance-December 31, 2022	62,130,344	\$ 19,842,132	\$ 241,714	\$ -	\$ 2,111,220	\$ (6,725,067)	\$ 15,469,999	\$ 11,080,429	\$ 26,550,428
Issue of common shares for services	395,160	90,000	-	-	-	-	90,000	-	90,000
Issue of common shares on exercise of stock options	200,000	95,173	-	-	(35,173)	-	60,000	-	60,000
Issue of common shares on vesting of RSUs	2,878,259	791,798	-	-	(791,798)	-	-	-	-
Release of contingently returnable shares		1,800,000	-	-	-	-	1,800,000	71,591	1,871,591
Borrowing costs		-	24,683	-	-	-	24,683	-	24,683
Share-based compensation		-	-	-	1,730,578	-	1,730,578	-	1,730,578
Net loss and comprehensive loss for period		-	-	-	-	(6,209,763)	(6,209,763)	(943,217)	(7,152,980)
Balance - September 30, 2023	65,603,763	\$ 22,619,103	\$ 266,397	\$ -	\$ 3,014,827	\$ (12,934,830)	\$ 12,965,497	\$ 10,208,803	\$ 23,174,300

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ASEP Medical Holdings Inc.
Condensed Interim Consolidated Statements of Cash Flows – unaudited
(Expressed in Canadian Dollars)

	Notes	For the nine month period ended	
		September 30, 2023	September 30, 2022
Cash provided by (used for) operating activities			
Loss for period		\$ (7,152,980)	\$ (4,214,803)
Items not involving cash			
Amortization		967,032	961,889
Borrowing costs		24,683	-
SafeCoat acquisition expenses	4	1,275,000	-
Shares issued for services	8	90,000	-
Share-based compensation		1,730,578	949,740
Changes in operating assets and liabilities			
GST receivable		74,493	(28,143)
Deposits and prepaid expenses		946,702	(577,568)
Accounts payable and accrued liabilities		120,818	821,577
		(1,923,674)	(2,087,308)
Cash flows provided by (used for) investing activities			
Purchase of equipment		(1,227)	-
Trademark costs		(2,374)	-
		(3,601)	-
Cash flows provided by (used for) financing activities			
Exercise of stock options		60,000	-
		60,000	-
Increase (decrease) in cash		(1,867,275)	(2,087,308)
Cash - beginning of period		2,130,390	5,290,070
Cash - end of period		\$ 263,115	\$ 3,202,762
Non cash investing and financing activities			
Shares issued to acquire Intellectual Property	4	\$ 525,000	\$ -

1. Nature of operations and going concern

ASEP Medical Holdings Inc. (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 September 30, 2023 and will be able to realize on its assets and discharge its liabilities in the normal course of business. For the nine month period ended September 30, 2023, the Company incurred a net loss of \$7,152,980 and used cash in operating activities of \$1,923,674. As at September 30, 2023, the Company had an accumulated deficit of \$12,934,830 and working capital deficit of \$138,805.

Based on the Company’s financial position as at September 30, 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. These factors from a material uncertainty that may cast 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 under IFRS, 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 November 28, 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 Nil (note 8) common shares are contingently returnable as at September 30, 2023, 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 SafeCoat and UBC enter into a definitive License Agreement (released July 21, 2023);
- 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 (released June 5, 2023).

The fair value of the 1,500,000 shares issued on December 12, 2022 was \$375,000. The fair value of the 1,500,000 shares released from escrow on January 18, 2023 was \$570,000, the fair value of the 1,500,000 shares released from escrow on June 5, 2023 was \$705,000 and the fair value of the 1,500,000 shares released from escrow on July 21, 2023 was \$525,000.

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4. Acquisition – continued

Amounts totalling \$1,275,000 have been recorded in the condensed interim consolidated for the nine month period ended September 30, 2023 as SafeCoat acquisition expense. An intangible asset of \$596,591 has been recognized as intellectual property for the license to the use, development and commercialization of a peptide medical device coating technology granted to SafeCoat by the University of British Columbia. Upon execution of license agreement, SafeCoat is obligated to issue 1,776,280 shares from treasury to the non-waiving investigators such that they hold a 12% equity interest in SafeCoat (note 9). The value of the intangible asset was determined based on the consideration given by the Company represented by the 1,500,000 shares released from escrow on the date license was granted (\$525,000) and the 1,776,280 shares of SafeCoat to be issued to the non-waiving investigators (\$71,591).

5. Equipment

	September 30, 2023	December 31, 2022
Cost	\$ 66,641	\$ 65,414
Accumulated amortization	(25,896)	(15,210)
	\$ 40,745	\$ 50,204

6. Intangible assets

	Intellectual Property	Website	Trademarks	Total
Cost				
Balance - December 31, 2022	\$ 25,020,943	\$ 49,404	\$ 6,660	\$ 25,077,007
Acquisitions	596,591	-	2,374	598,965
Balance - September 30, 2023	\$ 25,617,534	\$ 49,404	\$ 9,034	\$ 25,675,972
Accumulated amortization				
Balance - December 31, 2022	\$ 1,424,803	\$ 21,737	\$ 727	\$ 1,447,267
Amortization	943,437	12,351	558	956,346
Balance - September 30, 2023	\$ 2,368,240	\$ 34,088	\$ 1,285	\$ 2,403,613
Net carrying value - December 31, 2022	\$ 23,596,140	\$ 27,667	\$ 5,933	\$ 23,629,740
Net carrying value - September 30, 2023	\$ 23,249,294	\$ 15,316	\$ 7,749	\$ 23,272,359

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.

7. Convertible debentures - continued

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 September 30, 2023, borrowing costs totaled \$25,497 (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.

Issued shares

- i. On June 15, 2023, the Company issued 1,200,000 common shares on settlement of the first tranche of the RSUs granted March 1, 2023 and the estimated fair value of these shares (\$330,000) was transferred from reserves to capital stock on date of issue.
- ii. On July 19, 2023, the Company issued 145,161 common shares to certain members of the Advisory Board to compensate them for consulting services provided totalling \$45,000 for the period March 1, 2023 to May 31, 2023.
- iii. On July 21, 2023, stock options entitling the holder to acquire 200,000 common shares were exercised for proceeds of \$60,000.
- iv. On September 12, 2023, the Company issued 249,999 common shares to certain members of the Advisory Board to compensate them for consulting fees services provided totalling \$45,000 for the period June 1, 2023 to August 31, 2023.
- v. On September 12, 2023, the Company issued 1,675,000 common shares on settlement of the second tranche of the RSUs granted March 1, 2023 and the estimated fair value of these shares (\$460,625) was transferred from reserves to capital stock on date of issue.
- vi. On September 27, 2023, the Company issued 3,259 common shares on settlement of the first tranche of the RSUs granted June 20, 2023 and the estimated fair value of these shares (\$1,173) was transferred from reserves to capital stock on date of issue.

Escrowed shares

As at September 30, 2023, 1,334,048 (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 September 30, 2023, Nil (December 31, 2022 – 4,500,000) shares are subject to a voluntary escrow agreement (note 4).

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8. **Share capital - continued**

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.

During the nine month period ended September 30, 2023, the Company granted 700,000 stock options with an estimated fair value of \$171,531. A total of 543,034 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	Options issued	Estimated fair value
10 years	100%	0%	2.75%	400,000	\$ 129,738
10 years	100%	0%	3.39%	300,000	74,227
10 years	100%	0%	3.30%	93,034	30,130
				<u>793,034</u>	<u>\$ 234,095</u>

A continuity of stock options for the nine month period ended September 30, 2023 and the year ended December 31, 2022 is as follows:

	September 30, 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	793,034	\$ 0.34	1,080,000	\$ 0.30
Exercised	(200,000)	\$ 0.30	-	\$ -
Cancelled	-	\$ -	(200,000)	\$ 0.50
Closing balance	<u>6,013,034</u>	<u>\$ 0.45</u>	<u>5,420,000</u>	<u>\$ 0.46</u>

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8. **Share capital - continued**

The following stock options are outstanding at September 30, 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	4,262,808	\$ 0.50	\$ 0.38	5.87
200,000	200,000	\$ 0.30	\$ 0.01	0.30
200,000	99,726	\$ 0.30	\$ 0.01	0.30
480,000	480,000	\$ 0.30	\$ 0.03	0.73
400,000	368,622	\$ 0.36	\$ 0.02	0.62
300,000	158,276	\$ 0.30	\$ 0.01	0.47
93,034	93,034	\$ 0.39	\$ 0.01	0.15
6,013,034	5,662,466		\$ 0.39	7.82

During the nine month period ended September 30, 2023, the Company recognized \$298,965 (2022 - \$949,740) of share-based compensation for the vesting of stock options.

Restricted stock units ("RSUs")

During the nine month period ended September 30, 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. On June 20, 2023, the Company granted 13,034 RSUs with an estimated fair value of \$4,692. The RSUs vest in stages, as follows: 25% on September 20, 2023, 25% on December 20, 2023, 25% on March 20, 2024 and 25% on June 20, 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 nine month period ended, the Company issued 2,878,259 common shares on settlement of RSUs and the estimated fair value of these shares (\$791,798) was transferred from reserves to capital stock on date of issue.

During the nine month period ended September 30, 2023, the Company recognized \$1,431,613 (2022 - \$Nil) of share-based compensation over the vesting period of RSUs granted.

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8. Share capital - continued

Continuity of the RSUs granted during the nine month period ended September 30, 2023 and year ended December 31, 2022 is as follows:

	September 30, 2023		December 31, 2022	
	Number of RSUs outstanding	Estimated fair value	Number of RSUs outstanding	Estimated fair value
Opening balance	-	\$ -	-	\$ -
Granted	6,213,034	1,709,692	-	-
Settled	(2,878,259)	(791,798)	-	-
Closing balance	3,334,775	\$ 917,894	-	\$ -

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 and a 88% equity interest in SafeCoat with the remaining 12% held by the non-waiving investigators (note 4).

At September 30, 2023 and December 31, 2021, the non-controlling interests ("NCI") consisted of the following:

	September 30, 2023		December 31, 2022	
ABT	\$ 5,169,084	\$ 5,602,460		
Sepset	4,968,128	5,477,969		
SafeCoat	71,591	-		
Total	\$ 10,208,803	\$ 11,080,429		

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

Summary of statements of financial position

	ABT	Sepset	SafeCoat
	September 30, 2023	September 30, 2023	September 30, 2023
NCI percentage	49.90%	49.90%	12%
Assets	\$ 12,457,203	\$ 11,945,071	704,962
Less - liabilities	-	(5,314)	(8,426)
Total net assets	\$ 12,457,203	\$ 11,939,757	696,536

	ABT	Sepset
	December 31, 2022	December 31, 2022
NCI percentage	49.90%	49.90%
Assets	\$ 13,347,551	\$ 13,011,037
Less - liabilities	(21,859)	(49,555)
Total net assets	\$ 13,325,692	\$ 12,961,482

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9. Non-controlling interests – continued

Summary statements of loss and comprehensive loss

For the nine month period ended September 30, 2023				
	ABT	Sepset	SafeCoat	Total
Loss and comprehensive loss for period	\$ (868,489)	\$ (1,021,725)	\$ (24,945)	\$ (1,915,159)

For the three month period ended September 30, 2023				
	ABT	Sepset	SafeCoat	Total
Loss and comprehensive loss for period	\$ (300,502)	\$ (347,237)	\$ (15,824)	\$ (663,563)

For the nine month period ended September 30, 2022				
	ABT	Sepset	Total	
Loss and comprehensive loss for period	\$ (807,838)	\$ (1,011,943)	\$ (1,819,781)	

For the three month period ended September 30, 2022				
	ABT	Sepset	Total	
Loss and comprehensive loss for period	\$ (360,721)	\$ (431,040)	\$ (791,761)	

Summary statements of cash flows

For the nine month period ended September 30, 2023				
	ABT	Sepset	SafeCoat	Total
Net cash provided by (used in) operating activities	\$ (57,751)	\$ (355,590)	\$ -	\$ (413,341)
Net cash provided by (used in) investing activities	-	(3,600)	-	(3,600)
Net cash provided by (used in) financing activities	(597,550)	(94,000)	-	(691,550)

For the nine month period ended September 30, 2022				
	ABT	Sepset	Total	
Net cash provided by (used in) operating activities	\$ (182,693)	\$ (116,588)	\$ (299,281)	
Net cash provided by (used in) investing activities	-	-	-	
Net cash provided by (used in) financing activities	-	-	-	

Changes to NCI

	SafeCoat	ABT	Sepset	Total
Balance – December 31, 2022	\$ -	\$ 5,602,460	\$ 5,477,969	\$ 11,080,429
Recognition of NCI	71,591	-	-	71,591
Loss attributable to NCI	-	(433,376)	(509,841)	(943,217)
Balance – September 30, 2023	\$ 71,591	\$ 5,169,084	\$ 4,968,128	\$ 10,208,803

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.

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Nine month period ended September 30, 2023
(Expressed in Canadian Dollars)

10. Related party transactions - continued

The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2023	2022	2023	2022
Consulting fees	\$ 52,500	\$ 51,500	\$ 157,500	\$ 171,500
Directors fees	18,000	6,000	54,000	6,000
Management salaries	108,375	106,075	325,125	306,367
Share-based compensation	237,334	181,830	969,908	936,314
	\$ 416,209	\$ 345,405	\$ 1,506,533	\$ 1,420,181

At September 30, 2023, the Company owed \$198,000 (December 31, 2022 - \$49,500) to management for unpaid salaries and consulting services. These amounts are included in accounts payable and accrued liabilities.

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 September 30, 2023, the Company's maximum credit risk was \$263,115.

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 September 30, 2023, the Company had a working capital deficit of \$138,804 (note 1).

The Company's contractual obligations at September 30, 2023 are as follows:

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 648,979	\$ -	\$ -	\$ 648,979

11. Financial risk and capital management - continued

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

Classification of financial instruments

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

	September 30, 2023	December 31, 2022
Financial assets at FVTPL:		
Cash	\$ 263,115	\$ 2,130,390

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

	September 30, 2023	December 31, 2022
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	\$ 648,979	\$ 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.

12. Subsequent event

From October 1, 2023 to November 22, 2023, the following event has occurred:

- i. On October 27, 2023, the Company through its subsidiary, Sepset Biosciences Inc. ("Sepset") entered into a definitive joint venture agreement (the "JV Agreement") with Sansure Biotech Inc's subsidiary Hunan Xiang Jiang Sansure Biotech Fund, L.P. (the "Sansure Fund"). Under the JV Agreement, a registered joint venture entity is to be formed, Hunan Sanway SepSMART Ltd. ("SspSMART"), whereby the Sansure Fund will subscribe for RMB 37,500,000 (CAD \$7,000,000) of the registered capital (75%) and Sepset will be deemed to subscribe for RMB 12,500,000 (CAD \$2,400,000) of the registered capital (25%) through the contribution of certain patent rights to Sepset's first generation rapid sepsis test, SepSetER pursuant to technology license and collaborative agreement entered into concurrently with SepSMART.