**ASEP MEDICAL HOLDINGS INC.**

**Consolidated Financial Statements**

**For the Years Ended December 31, 2023 and 2022**

**Expressed in Canadian Dollars**

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**INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Directors of ASEP Medical Holdings Inc

**Opinion**

We have audited the consolidated financial statements of ASEP Medical Holdings Inc. and its subsidiaries (the "Company") which comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material

Uncertainty Related to Going Concern section, the key audit matters to be communicated in our auditors' report are as follows:

**Assessment of Impairment Indicators of Intangible Assets**

*Key Audit Matter Description*

We draw attention to Notes 3 and 7 of the consolidated financial statements. As at December 31, 2023, the Company has recognized intangible assets of $22,949,560. At the end of each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to intangible assets. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of impairment, if any. Indicators of impairment may include: (a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use; (b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated; (c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially; (d) the carrying amount of the net assets of the entity is more than its market capitalization; (e) evidence is available of obsolescence or physical damage of an asset; (f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and (g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

No impairment indicators were identified by management as at December 31, 2023.

We considered this a key audit matter due to the significance of the intangible assets and the judgments made by management in its assessment of impairment indicators related to intangible assets. This in turn resulted in a high degree of subjectivity in performing audit procedures related to the judgments applied by management.

*Audit Response*

Our approach to addressing the matter included the following procedures, among others:

Assessed the judgment made by management in determining whether there were impairment indicators related to intangible assets, which included the following:

- Obtained and reviewed management's assessment of indicators of impairment;
- Discussed the assessment with management and the audit committee;
- Compared the carrying amount of the Company's net assets to its market capitalization; and
- Read the minutes of the board of directors, the Company's news releases and Management Discussion and Analysis to identify corroborative or contradictory audit evidence.

Recognition of Revenue

*Key Audit Matter Description*

We draw attention to Notes 3 and 8 of the consolidated financial statements. During the year ended December 31, 2023, the Company recognized revenue of $21,140, and as at December 31, 2023, has recorded deferred revenue of $2,353,860, relating to a licensing agreement. Evaluating the appropriateness of the Company's assessment of revenue recognition required significant auditor judgement. Specifically, the determination of whether performance obligations are distinct, the determination of the transaction price and the probability that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty with variable consideration is subsequently resolved, required management's use of significant estimates and judgments. For these reasons we identified revenue recognition as a key audit matter.

*Audit Response*

We responded to this matter by performing the following procedures:

- We obtained and analyzed each of the contracts with the customer, including contracts entered into at or near the same time with the same customer or related parties of the customer;
- Evaluated the revenue recognition policy to ensure it is in accordance with IFRS 15 for the Company's contracts with the customer;
- Evaluated the significant estimates and judgements used by management in revenue recognition to assess the reasonableness of the determination of distinct performance obligations and the estimated transaction price;

**Other Information**

Management is responsible for the other information. The other information comprises the Company's Management Discussion and Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors’ report is Michael Ryan Ayre.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 26, 2024

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

| | Notes | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash | | $ | 64,721 | $ | 2,130,390 |
| GST receivable | | | 25,423 | | 114,619 |
| Deposits and prepaid expenses | | | 160,799 | | 1,153,636 |
| | | | 250,943 | | 3,398,645 |
| **Non-current assets** | | | | | |
| Equipment | 6 | | 37,183 | | 50,204 |
| Intangible assets | 7 | | 22,949,560 | | 23,629,740 |
| Investment in Hunan Sanway Sepsmart Ltd. | 8 | | 2,375,000 | | - |
| | | | 25,361,743 | | 23,679,944 |
| **TOTAL ASSETS** | | $ | 25,612,686 | $ | 27,078,589 |
| | | | | | |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 13 | $ | 677,731 | $ | 528,161 |
| Deferred revenue | 8 | | 297,586 | | - |
| Loan payable | 9,13 | | 20,270 | | - |
| | | | 995,587 | | 528,161 |
| **Non-current liabilities** | | | | | |
| Deferred revenue | 8 | | 2,056,274 | | - |
| **TOTAL LIABILITIES** | | | 3,051,861 | | 528,161 |
| **Equity** | | | | | |
| Share capital | 5,11 | | 24,045,616 | | 19,842,132 |
| Other components of equity | 10,11 | | 3,550,141 | | 2,352,934 |
| Deficit | | | (14,983,767) | | (6,725,067) |
| | | | 12,611,990 | | 15,469,999 |
| Non-controlling interests | 12 | | 9,948,835 | | 11,080,429 |
| **TOTAL EQUITY** | | | 22,560,825 | | 26,550,428 |
| **TOTAL LIABILITIES AND EQUITY** | | $ | 25,612,686 | $ | 27,078,589 |

Nature of operations and going concern (Note 1)
Commitments (Note 16)
Subsequent events (Note 17)

On behalf of the board:

| *"/s/ Derrold Norgaard"* | *"/s/ Richard Heinzl"* |
|---|---|
| Derrold Norgaard, Chairman of the Audit Committee and Independent Director | Dr. Richard Heinzl, Independent Director |

ASEP Medical Holdings Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | Notes | For the year ended December 31, 2023 | 2022 |
|---|---|---|---|
| Revenue | 8 | $ 21,140 | $ - |
| | | 21,140 | - |
| Expenses | | | |
| Amortization | | 1,294,266 | 1,282,394 |
| Board advisory fees | | 230,673 | 79,887 |
| Compensation | 13 | 782,301 | 556,550 |
| Consulting | 13 | 514,478 | 246,946 |
| General & administrative | | 222,903 | 139,718 |
| Investor relations | | 1,110,409 | 845,950 |
| Patent fees | | 134,880 | 155,401 |
| Professional fees | | 760,006 | 284,606 |
| Research & development costs | | 678,543 | 615,040 |
| Share-based compensation | 11,13 | 1,952,054 | 1,119,072 |
| Transfer agent & filing fees | | 61,890 | 117,088 |
| | | 7,742,403 | 5,442,652 |
| Operating loss | | (7,721,263) | (5,442,652) |
| Other income (expenses) | | | |
| Borrowing costs | 9,10 | (270) | (814) |
| Foreign exchange gain (loss) | | (4,116) | (2,399) |
| Loss on debt settlement | | (429,864) | - |
| SafeCoat Medical Inc. acquisition expense | 5 | (1,275,000) | (400,521) |
| Loss before deferred tax recovery | | (9,430,513) | (5,846,386) |
| Deferred tax recovery | | - | 89,100 |
| Loss and comprehensive loss for year | | $ (9,430,513) | $ (5,757,286) |
| | | | |
| Net loss and comprehensive loss attributable to: | | | |
| Shareholders | | $ (8,227,328) | $ (4,524,981) |
| Non-controlling interests | | (1,203,185) | (1,232,305) |
| | | $ (9,430,513) | $ (5,757,286) |
| | | | |
| Loss per share - basic & fully diluted | | $ (0.13) | $ (0.08) |
| | | | |
| Weighted average number of common shares - basic & fully diluted | | 62,235,372 | 56,196,097 |

ASEP Medical Holdings Inc.
Consolidated Statement of Changes in Equity
(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 |
| Issuance of common shares for non cash consideration | 6,000,000 | 375,000 | | | | | 375,000 | | 375,000 |
| Issuance of convertible debenture for cash | | | 330,000 | | | | 330,000 | | 330,000 |
| Deferred tax liability | | | (89,100) | | | | (89,100) | | - 89,100 |
| Borrowing costs | | | 814 | | | | 814 | | 814 |
| Expiration of warrants | | | | (35,921) | 35,921 | | - | | - |
| Share-based compensation | | - | - | - | 1,119,072 | - | 1,119,072 | - | 1,119,072 |
| Net loss and comprehensive loss for year | | - | - | - | - | (4,524,981) | (4,524,981) | (1,232,305) | - 5,757,286 |
| 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 |
| Debt settlement | 3,915,930 | 639,539 | (273,086) | 484,412 | | | 850,865 | - | 850,865 |
| Issue of common shares for services | 558,795 | 135,000 | - | - | - | - | 135,000 | - | 135,000 |
| 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 | 4,444,018 | 1,222,659 | - | - | (1,222,659) | - | - | - | - |
| Life offering - unit placement | 2,935,000 | 333,481 | - | 253,519 | - | - | 587,000 | - | 587,000 |
| Life offering - finder's warrants | | - | - | 23,772 | - | - | 23,772 | - | 23,772 |
| Life offering - finder's fees & finder's warrants | | (22,368) | - | (17,004) | - | - | (39,372) | - | (39,372) |
| Release of contingently returnable shares | | 1,800,000 | - | - | - | - | 1,800,000 | 71,591 | 1,871,591 |
| Borrowing costs | | - | 31,372 | - | - | (31,372) | - | - | - |
| Share-based compensation | | - | - | - | 1,952,054 | - | 1,952,054 | - | 1,952,054 |
| Net loss and comprehensive loss for year | | - | - | - | - | (8,227,328) | (8,227,328) | (1,203,185) | (9,430,513) |
| Balance - December 31, 2023 | 74,184,087 | $ 24,045,616 | $ - | $ 744,699 | $ 2,805,442 | $ (14,983,767) | $ 12,611,990 | $ 9,948,835 | $ 22,560,825 |

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

| | Notes | For the year ended December 31, 2023 | 2022 |
|---|---|---|---|
| **Cash provided by (used for) operating activities** | | | |
| Loss for year | | $ (9,430,513) | $ (5,757,286) |
| Items not involving cash | | | |
| Amortization | | 1,294,266 | 1,282,394 |
| Borrowing costs | | 270 | 814 |
| Consulting | | - | (150,752) |
| Deferred tax recovery | | - | (89,100) |
| Loss on debt settlement | 11 | 429,864 | - |
| Revenue | | (21,140) | - |
| SafeCoat acquisition expenses | 5 | 1,275,000 | 400,521 |
| Shares issued for services | 11 | 135,000 | - |
| Share-based compensation | | 1,952,054 | 1,119,072 |
| Changes in operating assets and liabilities | | | |
| GST receivable | | 89,196 | (41,220) |
| Deposits and prepaid expenses | | 992,838 | (762,875) |
| Accounts payable and accrued liabilities | | 570,567 | 383,956 |
| | | (2,712,598) | (3,614,476) |
| **Cash flows provided by (used for) investing activities** | | | |
| Net assets acquired from the acqusition of SafeCoat | | - | 125,231 |
| Purchase of equipment | | (1,227) | - |
| Trademark costs | | (3,244) | (435) |
| | | (4,471) | 124,796 |
| **Cash flows provided by (used for) financing activities** | | | |
| Loan advances | | 20,000 | - |
| Convertible debenture | | - | 330,000 |
| Life offering - cash proceeds | | 587,000 | - |
| Life offering - finder's fees paid | | (15,600) | - |
| Exercise of stock options | | 60,000 | - |
| | | 651,400 | 330,000 |
| Increase (decrease) in cash | | (2,065,669) | (3,159,680) |
| Cash - beginning of year | | 2,130,390 | 5,290,070 |
| Cash - end of year | | $ 64,721 | $ 2,130,390 |
| **Non cash investing and financing activities** | | | |
| Consideration given to acquire SafeCoat Medical Inc. | | $ 1,800,000 | $ 525,752 |
| Debt settlement of accrued liabilities | | $ 850,865 | $ - |
| Debt settlement of convertible debenture | | $ 273,086 | $ - |
| Investment in Hunan Sanway Sepsmart Ltd. | | $ 2,375,000 | $ - |
| Life offering - finder's warrants issued | | $ 23,772 | $ - |

## 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 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 December 31, 2023 and will be able to realize on its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2023, the Company incurred a net loss of $9,430,513 and used cash in operating activities of $2,712,598. As at December 31, 2023, the Company had an accumulated deficit of $14,973,218 and working capital deficit of $744,644.

Based on the Company's financial position as at December 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 with IFRS Accounting Standards

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). These consolidated financial statements were approved by the Board of Directors on April 26, 2024.

## 3. Significant accounting policies

***Basis of presentation***

These consolidated financial statements have been prepared on an accrual basis and on a historical cost basis. The preparation of the consolidated 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 of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. These consolidated financial statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollar, unless otherwise stated.

(Expressed in Canadian Dollars)

**3. Significant accounting policies - continued**

***Consolidation***

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions in Canada are eliminated on consolidation. The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. The principal subsidiaries of ASEP and their geographic locations at December 31, 2023, are as follows:

| | Principal Activity | Location | Percentage ownership |
|---|---|---|---|
| Asep Medical Inc. (“ASEP Medical”) | Life Sciences | Canada | 100% |
| ABT Innovations Inc. (“ABT”) | Life Sciences | Canada | 50.10% |
| Sepset Biosciences Inc. (“Sepset”) | Life Sciences | Canada | 50.10% |
| OHP Innovations Inc. (“OHP”) | Life Sciences | Canada | 100% |
| SafeCoat Medical Inc. (“SafeCoat”) | Life Sciences | Canada | 88% |

***Non-controlling interest***

Non-controlling interest (“NCI”) represents equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interest is presented as a component of equity. The loss and each component of other comprehensive income are attributed to non-controlling interests where applicable.

***Associates***

An associate is an entity over whose operating and financial policies the Company exercises significant influence. Significant influence is presumed to exist where the Company has between 20 percent and 50 percent of the voting rights but can also arise where the Company holds less than 20 percent of the voting rights but has the power to be actively involved and influential in policy decisions affecting the entity. The Company’s share of the net assets, post-tax results and reserves of the associate are included in the consolidated financial statements using the equity accounting method. This involves recording the investment initially at cost to the Company, and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Company’s share of the associate’s results. Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company’s interest in the associate.

**3. Significant accounting policies - continued**

***Financial instruments***

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 the 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 as 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 instruments under IFRS 9:

| Financial assets/liabilities | Classification - IFRS 9 |
|---|---|
| Cash and cash equivalents | FVTPL |
| Accounts payable and accrued liabilities | Amortized cost |
| Loans payable | Amortized cost |

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 expensed in the statements 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 included in the statement of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

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 credit risk of 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 statements 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.

**3. Significant accounting policies - continued**

Derecognition

*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.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or 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 recognized in the statements of comprehensive loss.

*Impairment of non-financial assets*

At the end of each reporting period, the Company applies judgment in assessing whether there are any indicators of impairment relating to intangible assets. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of impairment, if any. Indicators of impairment may include: (a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use; (b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated; (c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially; (d) the carrying amount of the net assets of the entity is more than its market capitalization; (e) evidence is available of obsolescence or physical damage of an asset; (f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and (g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. 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. As at December 31, 2023, no impairment indicators were identified by the Company.

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.

**3. Significant accounting policies - continued**

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.

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.

***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. Lab equipment is amortized on a straight-line basis over its estimated useful lives of 60 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 20-year 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 or equity is recognized in other comprehensive income 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 income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income 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 income tax asset to be utilized.

Deferred income 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 income tax assets and deferred income 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.

**3. Significant accounting policies - continued**

***Research and development***

Research costs are expensed when incurred. Internally-generated technology costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses.

The Company did not have any development costs that met the capitalization criteria for the years ended December 31, 2023 and 2022.

***Share capital***

The proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised. Warrants issued are recorded at the estimated fair value using the Black-Scholes pricing model.

On unit offerings, the Company prorates the proceeds between the relative fair values of the shares issued and the Black-Scholes value of the warrants issued.

***Share-based compensation***

The Company grants stock options to directors, officers, employees and service providers. Each tranche in an award is considered a separate award with its own vesting period and fair values. The Company applies the fair-value method of accounting for share-based compensation. The fair value is calculated using the Black-Scholes option-pricing model.

Share-based compensation for employees and others providing similar services are determined based on the grant date fair value. Share-based compensation for non-employees is determined based on the fair value of the goods or services received. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value reduced by an estimate of transaction costs incurred when issuing shares for cash, unless the fair value of the shares cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity through the fair value of the equity instruments granted.

Share-based compensation expense is recognized over each tranche’s vesting period in the consolidated statements of loss or capitalized as appropriate, based on the number of awards that vest less the estimated forfeitures. The number of forfeitures likely to occur is estimated on grant date. If and when stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

***Restricted share units***

The Company has established a restricted share plan under which share units are granted to directors, officers, key executive and non-executive employees, consultants and advisory board members. The restricted share units are considered equity-settled and are measured using the grant date fair value. Share-based compensation expense is recognized over the vesting period in the consolidated statement of loss with a corresponding amount recognized in equity.

**3. Significant accounting policies – continued**

***Earnings (loss) per share***

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders of ASEP by the weighted average number of common shares outstanding in the period. Contingently returnable shares are excluded from the calculation of weighted average number of common shares outstanding until the contingency is resolved. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***Foreign currency translation***

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

***Revenue recognition***

Revenue is derived from licensing of Intellectual Property and providing technical support and other services.

Revenue is recognized when control of these licenses and services are transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled in exchange for services.

Revenue recognition is determined through the following five steps:
1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue may be earned over time as the performance obligations are satisfied or at a point in time which is when the entity has earned a right to payment, the customer has possession of the asset and the related significant risks and rewards of ownership, and the customer has accepted the asset or service. Royalty revenue is recognized as the underlying sales occur.

**3. Significant accounting policies – continued**

The estimated transaction price, which includes variable consideration, may be subject to constraint and is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Company updates the estimated transaction price, including updating its assessment of whether an estimate of variable consideration is constrained, to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. Actual amounts may ultimately differ from the Company's estimates. If actual results vary, the Company will adjust these estimates, which could have an effect on earnings in the period of adjustment.

***Patent costs***

Patent costs include patent filing fees and patent maintenance fees and are expensed when incurred.

**Significant estimates and assumptions**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the estimated amount and allocation of the transaction price in contracts with customers, useful lives of intangible assets, market multiples utilized in the determination of recoverable amounts of intangible assets, fair value measurements for financial instruments, share-based payments and measurement of deferred tax assets.

**Significant judgements**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's accounting policies in these financial statements were:

- Revenue recognition
  - Whether performance obligations in the contract are distinct.
  - Whether it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the contingency is resolved.
  - Whether the expected value method or most likely amount method better predicts the amount of consideration to which the Company will be entitled.
  - Whether the Company satisfies a performance obligation over time or at a point in time.
  - The determination of the method to measure the progress towards complete satisfaction of a performance obligation satisfied over time.

- Evaluating whether or not costs incurred by the Company meet the criteria for capitalization as intangible assets.

**3. Significant accounting policies - continued**

- The Company assesses the carrying values of its tangible and intangible assets at the end of each reporting period for indicators of impairment. If it is determined that there are indicators of impairment, the Company determines the recoverable amount of the related cash generating units. Recoverability is dependent upon assumptions and judgments regarding historical R&D costs and market multiples. Other assumptions used in the calculation of recoverable amounts are discount rates and future cash flows. A material change in assumptions may significantly impact the potential impairment of these assets. During the year ended December 31, 2023, no impairment indicators were identified by management.

- Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. The Company completed the acquisition of SafeCoat Medical Inc. ("SafeCoat") on December 12, 2022 and concluded that the acquired entity did not qualify as a business combination under IFRS 3, "Business Combinations". Accordingly, the acquisition has been accounted for as an asset acquisition.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1), the recoverability of deferred tax assets, functional currency determinations and the classification of its financial instruments.

**4. Adoption of New Accounting Standards, Interpretations and Amendments**

**New accounting standards adopted in the current year**

<u>Amendments to IAS 1: Classification of Liabilities as Current or Non – current:</u>
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments were effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. For the year ended December 31, 2023, these amendments did not affect the Company's financial statements.

<u>Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies</u>
As part of the new amendments, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in certain instances in line with the amendments.

## 4. Adoption of New Accounting Standards, Interpretations and Amendments - continued

**Standards issued but not yet effective**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

## 5. 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 4,500,000 common shares were contingently returnable, as they were subject to a Voluntary Escrow Agreement. Release from escrow was 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 (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).

As each milestone was achieved, the estimated fair value of the shares released from escrow were recognized and measured on the date the contingency was resolved.

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 released from escrow on January 18, 2023 was $570,000, the estimated fair value of the 1,500,000 shares released from escrow on June 5, 2023 was $705,000 and the estimated fair value of the 1,500,000 shares released from escrow on July 21, 2023 was $525,000.

(Expressed in Canadian Dollars)

**5. Acquisition – continued**

Amounts totalling $1,275,000 have been recorded in the consolidated financial statements for the year ended December 31, 2023 ($400,521 for the year ended December 31, 2022) as SafeCoat acquisition expense, as the shares were issued prior to the execution of the License Agreement. Prior to the execution of the License Agreement, the shares released from escrow did not meet the criteria in IAS 38, Intangible Assets, to be separable or arising from legal or contractual rights. 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 the license agreement, SafeCoat is obligated to issue 1,776,280 shares from treasury to the non-waiving parties such that they hold a 12% equity interest in SafeCoat. 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 parties ($71,591).

**6. Equipment**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cost | $ 66,641 | $ 65,414 |
| Accumulated amortization | (29,458) | (15,210) |
| | $ 37,183 | $ 50,204 |

**7. Intangible assets**

| | Intellectual Property | Website | Trademarks | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance-December 31, 2021 | $ 25,020,943 | $ 49,404 | $ 6,225 | $ 25,076,572 |
| Acquisitions | - | - | 435 | 435 |
| Balance -December 31, 2022 | 25,020,943 | 49,404 | 6,660 | 25,077,007 |
| Acquisitions | 596,591 | - | 3,244 | 599,835 |
| Balance - December 31, 2023 | $ 25,617,534 | $ 49,404 | $ 9,904 | $ 25,676,842 |
| Accumulated amortization | | | | |
| Balance-December 31, 2021 | $ 173,349 | $ 5,269 | $ 94 | $ 178,712 |
| Amortization | 1,251,454 | 16,468 | 633 | 1,268,555 |
| Balance -December 31, 2022 | 1,424,803 | 21,737 | 727 | 1,447,267 |
| Amortization | 1,262,761 | 16,468 | 786 | 1,280,015 |
| Balance - December 31, 2023 | $ 2,687,564 | $ 38,205 | $ 1,513 | $ 2,727,282 |
| Net carrying value - December 31, 2022 | $ 23,596,140 | $ 27,667 | $ 5,933 | $ 23,629,740 |
| Net carrying value - December 31, 2023 | $ 22,929,970 | $ 11,199 | $ 8,391 | $ 22,949,560 |

(Expressed in Canadian Dollars)

**8. Investment in Hunan Sanway SepSMART Ltd. and Revenue**

ASEP holds a 25% interest in Hunan Sanway SepSMART Ltd.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Investment in Hunan Sanway SepSMART Ltd. | $ 2,375,000 | $ - |

On October 27, 2023, the Company through its subsidiary, Sepset Biosciences, Inc. ("Sepset") entered into a joint venture agreement (the "JV Agreement") with Sansure Biotech Inc.'s subisidary Hunan Xiang Jiang Sansure Biotech Fund, L.P. (the "Sansure Fund"). Under the JV Agreement, an equity joint venture entity, Hunan Sanway SepSMART Ltd. ("SepSMART"), was formed on December 5, 2023 in China, whereby the Sansure Fund subscribed for RMB 37,500,000 (CAD $7,125,000) of the registered capital (75%) and Sepset subscribed for RMB 12,500,000 (CAD $2,375,000) of the registered capital (25%) through the licensing of certain patent rights and know-how to Sepset's first generation rapid sepsis test, SepSetER ("Intellectual Property"). Pursuant to the Technology License and Collaborative Agreement (the "Contract"), the term of the license is for a period of 8 years commencing on December 5, 2023 and includes the Company's participation on a joint project team for the duration of the Contract. Under the Contract, the Company is also entitled to a royalty of 5% of future sales.

It was determined by management that SepSMART meets the definition of a customer and that granting it a license to the Company's intellectual property represents an output of the Company's ordinary activities in exchange for the 25% interest in SepSMART and the royalty of 5% of future sales. Management determined that the license of the Intellectual Property was not distinct from other promises in the contract and that the Company transfers control of the goods and services over time. Therefore, the performance obligation and revenue will be recognized over the Contract term of 8 years. As a result, revenue of $21,140 was recorded in the consolidated statement of comprehensive loss for the year ended December 31, 2023 and the balance of unearned revenues of $2,353,860 as at December 31, 2023 is recorded in the consolidated statement of financial position as deferred revenue and will be recognized over the life of the license on a straight-line basis. The estimated transaction price includes variable consideration of $2,185,000 for which management determined it was highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(Expressed in Canadian Dollars)

## 8. Investment in Hunan Sanway SepSMART Ltd. and Revenue – continued

Summary of Hunan Sanway SepSMART Ltd. statements of financial position

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current assets | $ 570,000 | $ - |
| Less - current liabilities | - | - |
| | 570,000 | - |
| Non-current assets | 8,930,000 | - |
| Less-non-current liabilities | - | - |
| | 8,930,000 | - |
| Net assets | 9,500,000 | - |
| ASEP's share - percentage | 25% | 0% |
| ASEP's share - net assets | $ 2,375,000 | $ - |

Summary of Hunan Sanway SepSMART Ltd. statements of income (loss) and comprehensive income (loss)

| | For the year ended Decemer 31, 2023 | 2022 |
|---|---|---|
| Revenues | $ - | $ - |
| Expenses | - | - |
| Net income (loss) | - | - |
| Other comprehensive income (loss) | - | - |
| Comprehensive income (loss) | $ - | $ - |

## 9. Loan payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Demand loan | | |
| Principal | $ 20,000 | $ - |
| Interest | 270 | - |
| | $ 20,270 | $ - |

On November 20, 2023, REWH Consulting Inc. ("REWH") provided a short-term unsecured loan to the Company for $20,000 with an interest rate of 10% per annum. The loan is repayable 5 days after the Company receives gross proceeds in excess of $250,000 from a financing. REWH waived this provision for repayment on closing of Life offering (see Note 11) and concurrently, the loan term was amended to be without stated terms of repayment.

REWH is an entity controlled by Robert Hancock, an officer and a director of the Company.

**10. Convertible debenture**

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 has evaluated the Convertible Debenture, embedded conversion option and embedded prepayment option and determined that all components of the compound financial instrument meet the criteria for classification as equity. The deferred tax liability on date of issuance was $89,100. On December 27, 2023, the convertible debenture plus accrued interest thereon ($273,086) were debt settled (note 11).

**11. Share capital**

***Authorized share capital***

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

***Issued share capital***

i. On December 15, 2022, the Company issued 6,000,000 common shares to acquire the non-controlling interest in SafeCoat (note 5). At December 31, 2022, 4,500,000 common shares were held in escrow and considered contingently returnable shares. The fair value of the 1,500,000 unrestricted shares at date of issuance was $375,000. The fair value of the 4,500,000 shares released from escrow during the year ended December 31, 2023 was $1,800,000 (note 5)

ii. 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.

iii. 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.

iv. On July 21, 2023, stock options entitling the holder to acquire 200,000 common shares were exercised for proceeds of $60,000.

v. 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.

**11. Share capital – continued**

vi. 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.

vii. 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.

viii. On December 1, 2023, the Company issued 163,635 common shares to certain members of the Advisory Board to compensate them for consulting fees services provided totalling $45,000 for the period September 1, 2023 to November 30, 2023.

ix. On December 5, 2023, the Company issued 1,562,500 common shares on settlement of the third tranche of the RSUs granted March 1, 2023 and the estimated fair value of these shares ($429,688) was transferred from reserves to capital stock on date of issue.

x. On December 19, 2023, the Company completed a unit offering at $0.20 per unit for gross proceeds of $587,000 and issued 2,935,000 shares ($333,481) and 2,935,000 warrants ($253,519). Each warrant entitles the holder to acquire one common share for a period of two years at a price of $0.26 per share. In connection with the unit offering, the Company paid cash finder's fees of $15,600 and issued 128,000 finder's warrants ($23,772).

xi. On December 27, 2023, the Company settled debts totalling $783,186 through the issuance of 3,915,930 shares ($639,539) and 3,915,930 warrants ($484,412) and recognized a loss on debt settlement ($429,864). Each warrant entitles the holder to acquire one common share for a period of two years at a price of $0.26 per share.

xii. On December 29, 2023, the Company issued 3,259 common shares on settlement of the second 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.

As at December 31, 2023, there were 74,184,087 (2022 - 62,130,344) issued and outstanding common shares and nil issued and outstanding preferred shares (2022 – nil).

***Escrowed shares***

As at December 31, 2023, 889,366 (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 December 31, 2022, 4,500,000 shares were subject to a voluntary escrow agreement and were released during the year ended December 31, 2023.

(Expressed in Canadian Dollars)

**11. Share capital – continued**

***Warrants***

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Number of warrants outstanding | Amount | Number of warrants outstanding | Amount |
| Opening balance | - | $ - | 187,200 | $ 35,921 |
| Granted | 6,978,930 | 744,699 | - | - |
| Expired | - | - | (187,200) | (35,921) |
| Closing balance | 6,978,930 | $ 744,699 | - | $ - |

The fair value of the 2,935,000 warrants issued in connection with the unit placement completed December 19, 2023 totaled $253,519. The fair value of the finder's warrants issued in connection with the unit placement totaled $23,772. The fair value of the 3,915,930 warrants issued in connection with debt settlement completed December 27, 2023 totaled $484,412. The warrants were valued using the Black-Scholes valuation model, using the following assumptions:

| Warrant term | Volatility | Dividend yield | Risk-free interest rate | Warrants issued | Estimated fair value | Warrant issue costs | Net |
|---|---|---|---|---|---|---|---|
| 2 years | 167.29% | 0% | 3.85% | 2,935,000 | $ 253,519 | $ (17,004) | $ 236,515 |
| 2 years | 167.29% | 0% | 3.85% | 128,000 | 23,772 | - | 23,772 |
| 2 years | 167.29% | 0% | 3.76% | 3,915,930 | 484,412 | - | 484,412 |
| | | | | 6,978,930 | 761,703 | (17,004) | $ 744,699 |

As at December 31, 2023, the following share purchase warrants are outstanding:

| Number of warrants outstanding | Weighted average exercise price $ | Expiry date | Weighted average contractual life |
|---|---|---|---|
| 2,935,000 | 0.26 | December 19, 2025 | 0.83 years |
| 128,000 | 0.20 | December 19, 2025 | 0.04 years |
| 3,915,930 | 0.26 | December 27, 2025 | 1.12 years |
| 6,978,930 | 0.26 | | 1.98 years |

(Expressed in Canadian Dollars)

**11. 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 year ended December 31, 2023, the Company granted 793,034 stock options with an estimated fair value of $234,095. A total of 593,034 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 |
| | | | | 793,034 | $ | 234,095 |

During the year ended December 31, 2022, the Company granted 1,080,000 stock options with an estimated fair value of $181,025. A total of 780,000 vested on grant date, 100,000 vest on the first anniversary from date of grant 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% | 1.78% | 200,000 | $ | 33,970 |
| 10 years | 100% | 0% | 1.78% | 200,000 | | 27,466 |
| 10 years | 100% | 0% | 2.90% | 680,000 | | 119,589 |
| | | | | 1,080,000 | $ | 181,025 |

During the year ended December 31, 2023, the Company recognized $314,690 (2022 - $1,119,072) of share-based compensation for the vesting of stock options granted.

(Expressed in Canadian Dollars)

**11. Share capital – continued**

A continuity of stock options for the years ended December 31, 2023 and 2022 is as follows:

| | December 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 | 793,034 | $ 0.34 | 1,080,000 | $ 0.30 |
| Exercised | (200,000) | $ 0.30 | - | $ - |
| Expired | (200,000) | $ 0.50 | - | $ - |
| Cancelled | - | $ - | (200,000) | $ 0.50 |
| Closing balance | 5,813,034 | $ 0.45 | 5,420,000 | $ 0.46 |

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

| Number of options outstanding | Number of options outstanding and exercisable | Weighted average exercise price of options exercisable | Weighted average remaining contractual life |
|---|---|---|---|
| 4,140,000 | 4,140,000 | $ 0.37 | 5.62 |
| 200,000 | 200,000 | $ 0.01 | 0.30 |
| 200,000 | 99,726 | $ 0.01 | 0.30 |
| 480,000 | 480,000 | $ 0.03 | 0.74 |
| 400,000 | 368,622 | $ 0.02 | 0.62 |
| 300,000 | 158,276 | $ 0.01 | 0.47 |
| 93,034 | 93,034 | $ 0.01 | 0.15 |
| 5,813,034 | 5,539,658 | $ 0.45 | 8.20 |

***Restricted stock units (“RSUs)***

During the year ended December 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. 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.

(Expressed in Canadian Dollars)

## 11. Share capital - continued

During the year ended December 31, 2023, the Company issued 4,444,018 common shares on vesting of RSUs and the estimated fair value of these shares ($1,222,659) was transferred from reserves to capital stock on date of issue.

During the year ended December 31, 2023, the Company recognized $1,637,365 (2022 - $Nil) of share-based compensation over the vesting period of RSUs granted.

Continuity of the RSUs granted during the years ended December 31, 2023 and 2022 is as follows:

| | December 31, 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 | (4,444,018) | (1,222,659) | - | - |
| Closing balance | 1,769,016 | $ 487,033 | - | $ - |

## 12. 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 5).

At December 31, 2023 and 2022, the NCI consisted of the following:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| ABT | $ 5,060,259 | $ 5,602,460 |
| Sepset | 4,829,496 | 5,477,969 |
| SafeCoat | 59,080 | - |
| Total | $ 9,948,835 | $ 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**

| | December 31, 2023 | December 31, 2023 | December 31, 2023 |
|---|---|---|---|
| | ABT | Sepset | SafeCoat |
| NCI percentage | 49.90% | 49.90% | 12% |
| Assets | $ 12,287,970 | $ 14,046,405 | 674,333 |
| Less - liabilities | (48,853) | (2,384,468) | (62,059) |
| Total net assets | $ 12,239,117 | $ 11,661,937 | 612,274 |

| | December 31, 2022 | December 31, 2022 |
|---|---|---|
| | ABT | Sepset |
| 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 |

(Expressed in Canadian Dollars)

## 12. Non-controlling interests - continued

**Summary statements of loss and comprehensive loss**

| | For the year ended December 31, 2023 | | | |
|---|---|---|---|---|
| | ABT | Sepset | SafeCoat | Total |
| Loss and comprehensive loss for year | $ (1,086,575) | $ (1,299,546) | $ (104,257) | $ (2,490,378) |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | ABT | Sepset | Total |
| Loss and comprehensive loss for year | $ (1,132,066) | $ (1,337,483) | $ (2,469,549) |

**Summary statements of cash flows**

| | For the year ended December 31, 2023 | | | |
|---|---|---|---|---|
| | ABT | Sepset | SafeCoat | Total |
| | $ | $ | $ | $ |
| Net cash provided by (used in) operating activities | (66,013) | (486,197) | 835 | (552,211) |
| Net cash provided by (used in) investing activities | - | (4,470) | - | (4,470) |
| Net cash provided by (used in) financing activities | (665,100) | (399,844) | - | (1,064,944) |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | ABT | Sepset | Total |
| | $ | $ | $ |
| Net cash provided by (used in) operating activities | (293,145) | (295,335) | (588,480) |
| Net cash provided by (used in) investing activities | - | (435) | (435) |
| Net cash provided by (used in) financing activities | (408,338) | (10,000) | (418,338) |

**Changes to NCI**

| | SafeCoat | ABT | Sepset | Total |
|---|---|---|---|---|
| Balance – December 31, 2021 | $ - | $ 6,167,361 | $ 6,145,373 | $ 12,312,734 |
| NCI's share of loss | - | (564,901) | (667,404) | (1,232,305) |
| Balance – December 31, 2022 | - | 5,602,460 | 5,477,969 | 11,080,429 |
| Recognition of NCI | 71,591 | - | - | 71,591 |
| Loss attributable to NCI | (12,511) | (542,201) | (648,473) | (1,203,185) |
| Balance – September 30, 2023 | $ 59,080 | $ 5,060,259 | $ 4,829,496 | $ 9,948,835 |

## 13. Related party transactions

***Key management personnel compensation***

Key management personnel include those persons having the 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.

| | Year ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Consulting fees | $ 210,000 | $ 267,500 |
| Directors fees | 72,000 | 24,000 |
| Management salaries | 433,500 | 369,742 |
| Share-based compensation | 1,090,133 | 1,051,798 |
| | $ 1,805,633 | $ 1,713,040 |

(Expressed in Canadian Dollars)

**13. Related party transactions - continued**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Balances payable to key management personnel for compensation | $ 249,300 | $ 49,500 |

The balances payable are included in accounts payable and accrued liabilities.

Other amount included in the consolidated financial statements due to a related party, as disclosed in Note 9, is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Loan payable (note 9) | $ 20,270 | $ - |

Interest of $270 for the year ended December 31, 2023 (2022 - $Nil) has been accrued on the loan payable in these consolidated financial statements.

**14. Income tax recovery and deferred tax assets and liabilities**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Expected rate | 27% | 27% |
| Income tax recovery ( expense) computed at statutory rates | $ 2,546,239 | $ 1,578,524 |
| Share-based compensation and other permanent differences | (1,612,409) | (704,395) |
| Temporary income tax benefits not recognized | (933,830) | (785,029) |
| Recovery of (provision for) deferred income taxes | $ - | $ 89,100 |

At December 31, 2023 and 2022, the deferred tax assets are not recognized on the following temporary differences as it is not probable that sufficient future taxable profits will be available to utilize such differences:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Deferred tax assets | | |
| Financing costs | $ 21,848 | $ 25,656 |
| Non- capital losses | 2,361,172 | 1,518,314 |
| Equipment and intangible assets | 121,368 | 115,688 |
| Total gross deferred tax assets | 2,504,388 | 1,659,658 |
| Deferred tax assets not recognized | (2,504,388) | (1,570,558) |
| | - | 89,100 |
| Deferred tax liabilities | - | (89,100) |
| | $ - | $ - |

(Expressed in Canadian Dollars)

**14. Income tax recovery and deferred tax assets and liabilities - continued**

At December 31, 2023, the Company has Canadian non capital losses, which may be carried forward to apply against future year's income for income tax purposes, subject to final determination by taxation authorities, as follows:

| | | |
|---|---|---|
| 2040 | $ | 17,220 |
| 2041 | | 1,306,861 |
| 2042 | | 2,888,271 |
| 2043 | | 4,532,728 |
| | $ | 8,745,080 |

**15. 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 December 31, 2023, the Company's maximum credit risk was $64,721.

***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 December 31, 2023, the Company had working capital deficit of $744,644 (note 1).

The Company's contractual obligations at December 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 | $ 677,731 | $ - | $ - | $ 677,731 |
| Loan payable | 20,270 | - | - | 20,270 |
| | $ 698,001 | $ - | $ - | $ 698,001 |

(Expressed in Canadian Dollars)

**15. 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 year. 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:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets at FVTPL: | | |
| Cash | $ 64,721 | $ 2,130,390 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial liabilities at amortized cost: | | |
| Accounts payable and accrued liabilities | $ 677,731 | $ 528,161 |
| Loan payable | 20,270 | - |
| | $ 698,001 | $ 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.

## 16. Commitments

License Agreements

The Sepset[ER] technology is covered by two separate filed and issued patents. The first patent is owned by Dr. Robert E.W. Hancock together with other inventors. Dr. Robert E.W. Hancock is also one of three inventors for the technology underlying the second patent. However, the second patent has been assigned to the University of British Columbia, who provided an exclusive license to Sepset. Both the license agreements require the Company to pay a royalty on revenues and sublicensing revenues derived from the sale of products.

Under the License Agreements with SafeCoat and ABT, the Company is obligated to pay royalties on revenues and sublicensing revenues generated from the sale of products.

Seaspring W.L.L. ("Seaspring")

The Company has signed a definitive agreement to form a joint venture with Bahrain-based international investment consultancy firm, Seaspring, to advance regulatory approval and commercialization of the SepsetER technology in the Kingdom of Bahrain, the Middle East and North Africa. The terms of the definitive agreement include the formation of a 50/50 joint venture whereby Seaspring will contribute the capital required by the joint venture to conduct its business operations (regulatory approval, sales and distribution) and the Company through its subsidiary Sepset, will provide the licensing rights for the use of the SepsetER technology in the Kingdom of Bahrain, Algeria, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates and Yemen.

## 17. Subsequent events

The following events have occurred:

i. On March 1, 2024, the Company issued 209,301 common shares to certain members of the Advisory Board to compensate them for consulting fees services provided totalling $45,000 for the period December 1, 2023 to February 29, 2024.

ii. On March 7, 2024, the Company issued 1,662,500 common shares on settlement of the fourth tranche of the RSUs granted March 1, 2023 and the estimated fair value of these shares ($429,688) was transferred from reserves to capital stock on date of issue.

iii. On March 27, 2024, the Company issued 3,259 common shares on settlement of the third 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.

iv. On April 8, 2024, the Company issued 3,000,000 performance warrants (the "Performance Warrants") to Sansure Biotech Inc. Each Performance Warrant is exercisable into one common share at an exercise price of $1.00 per common share for a period of one year from date of issuance.