

**ASEP MEDICAL HOLDINGS INC.**  
**Condensed Interim Consolidated Financial Statements**  
**As at and for the six month period ended June 30, 2024**

**Expressed in Canadian Dollars**

*Notice to Reader: As required by National Instrument 51-102 subsection 4.3(3)(a), readers are advised that an auditor has not performed a review of these interim financial statements.*

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

	Notes	June 30, 2024	December 31, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 25,301	\$ 64,721
GST receivable		39,634	25,423
Deposits and prepaid expenses		101,854	160,799
		166,789	250,943
<b>Non-current assets</b>			
Equipment	4	30,117	37,183
Intangible assets	5	22,303,002	22,949,560
Investment in Hunan Sanway Sepsmart Ltd.	6	2,347,341	2,375,000
		24,680,460	25,361,743
<b>TOTAL ASSETS</b>		\$ 24,847,249	\$ 25,612,686
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 1,616,291	\$ 677,731
Deferred revenue	6	149,606	297,586
Due to related parties	10	208,273	-
Loan payable	7,10	21,510	20,270
		1,995,680	995,587
<b>Non-current liabilities</b>			
Deferred revenue	6	2,056,274	2,056,274
<b>TOTAL LIABILITIES</b>		4,051,954	3,051,861
<b>Equity</b>			
Share capital	8	24,593,977	24,045,616
Other components of equity	8	3,504,630	3,550,141
Deficit		(16,868,076)	(14,983,767)
		11,230,531	12,611,990
Non-controlling interests	9	9,564,764	9,948,835
<b>TOTAL EQUITY</b>		20,795,295	22,560,825
<b>TOTAL LIABILITIES AND EQUITY</b>		\$ 24,847,249	\$ 25,612,686

Nature of operations and going concern (note 1)

Commitments (note 12)

Subsequent events (note 13)

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 Comprehensive Loss - unaudited  
(Expressed in Canadian Dollars)

	Notes	For the three month period ended		For the six month period ended	
		2024	June 30, 2023	2024	June 30, 2023
Revenue	6	73,990	\$ -	\$ 147,980	\$ -
		73,990		147,980	
Expenses					
Amortization		326,751	320,621	654,004	641,228
Board advisory fees		65,531	69,763	130,856	100,286
Compensation	10	190,502	197,800	388,620	400,900
Consulting	10	84,990	201,636	176,491	285,161
General & administrative		68,092	1,610	125,920	102,964
Investor relations		46,640	357,533	102,178	613,542
Patent fees		39,372	17,541	45,529	24,358
Professional fees		178,099	196,523	267,592	299,345
Research & development costs		45,300	211,185	33,701	407,072
Share-based compensation	8,10	331,973	501,231	412,850	831,654
Transfer agent & filing fees		14,894	16,441	45,304	42,258
		1,392,144	2,091,884	2,383,045	3,748,768
Operating loss		(1,318,154)	(2,091,884)	(2,235,065)	(3,748,768)
Other income (expenses)					
Borrowing costs	7,10	(630)	(8,227)	(1,241)	(16,365)
Foreign exchange gain (loss)		(2,846)	(1,016)	(4,415)	(4,010)
SafeCoat Medical Inc. acquisition expense		-	(705,000)	-	(1,275,000)
Share of loss of Hunan Sanway Sepsmart Ltd.	6	(13,289)	-	(27,659)	-
Loss and comprehensive loss for period		\$ (1,334,919)	\$ (2,806,127)	\$ (2,268,380)	\$ (5,044,143)
Net loss and comprehensive loss attributable to:					
Shareholders		\$ (1,122,282)	\$ (2,482,137)	\$ (1,884,309)	\$ (4,424,148)
Non-controlling interests		(212,637)	(323,990)	(384,071)	(619,995)
		\$ (1,334,919)	\$ (2,806,127)	\$ (2,268,380)	\$ (5,044,143)
Loss per share - basic & fully diluted		\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.07)
Weighted average number of common shares - basic & fully diluted		76,125,972	59,723,751	75,408,832	59,279,515

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, 2022	62,130,344	\$ 19,842,132	\$ 241,714	\$ -	\$ 2,111,220	\$ (6,725,067)	\$ 15,469,998	\$ 11,080,429	\$ 26,550,427
Issue of common shares on vesting of RSU	1,200,000	330,000	-	-	(330,000)	-	-	-	-
Release of contingently returnable shares	-	1,275,000	-	-	-	-	1,275,000	-	1,275,000
Borrowing costs	-	-	16,365	-	-	-	16,365	-	16,365
Share-based compensation	-	-	-	-	831,654	-	831,654	-	831,654
Net loss and comprehensive loss for	-	-	-	-	-	(4,424,147)	(4,424,147)	(619,995)	(5,044,142)
<b>Balance-June 30, 2023</b>	<b>63,330,344</b>	<b>\$ 21,447,132</b>	<b>\$ 258,079</b>	<b>\$ -</b>	<b>\$ 2,612,874</b>	<b>\$ (11,149,214)</b>	<b>\$ 13,168,870</b>	<b>\$ 10,460,434</b>	<b>\$ 23,629,304</b>
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
Issue of common shares for services	452,544	90,000	-	-	-	-	90,000	-	90,000
Issue of common shares on vesting of RSU	1,665,759	458,361	-	-	(458,361)	-	-	-	-
Share-based compensation	-	-	-	-	412,850	-	412,850	-	412,850
Net loss and comprehensive loss for	-	-	-	-	-	(1,884,309)	(1,884,309)	(384,071)	(2,268,380)
<b>Balance-June 30, 2024</b>	<b>76,302,390</b>	<b>\$ 24,593,977</b>	<b>\$ -</b>	<b>\$ 744,699</b>	<b>\$ 2,759,931</b>	<b>\$ (16,868,076)</b>	<b>\$ 11,230,531</b>	<b>\$ 9,564,764</b>	<b>\$ 20,795,295</b>

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 six month period ended June 30,	
		2024	2023
<b>Cash provided by (used for) operating activities</b>			
Loss for period		\$ (2,268,380)	\$ (5,044,143)
Items not involving cash			
Amortization		654,004	641,228
Borrowing costs		1,241	16,365
Revenue		(147,980)	-
SafeCoat acquisition expenses		-	1,275,000
Shares issued for services	8	90,000	-
Share-based compensation		412,850	831,654
Share of loss of Hunan Sanway Sepsmart Ltd.		27,659	-
Changes in operating assets and liabilities			
GST receivable		(14,211)	87,276
Deposits and prepaid expenses		58,945	707,587
Accounts payable and accrued liabilities		938,559	229,514
		(247,313)	(1,255,519)
<b>Cash flows provided by (used for) investing activities</b>			
Purchase of equipment		-	(1,227)
Trademark costs		(380)	(1,005)
		(380)	(2,232)
<b>Cash flows provided by (used for) financing activities</b>			
Advances from related parties		208,273	-
		208,273	-
Increase (decrease) in cash		(39,420)	(1,257,751)
Cash - beginning of period		64,721	2,130,390
Cash - end of period		\$ 25,301	\$ 872,639
<b>Non cash investing and financing activities</b>			
Consideration given to acquire SafeCoat Medical Inc.		\$ -	\$ 570,000

ASEP Medical Holdings Inc.  
Condensed Interim Consolidated Notes to the Financial Statements  
For the six month period ended June 30, 2024 - unaudited  
(Expressed in Canadian Dollars)

**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 June 30, 2024 and will be able to realize on its assets and discharge its liabilities in the normal course of business. For the six month period ended June 30, 2024, the Company incurred a net loss of \$2,268,380 and used cash in operating activities of \$247,313. As at June 30, 2024, the Company had an accumulated deficit of \$16,868,076 and a working capital deficit of \$1,828,891.

Based on the Company’s financial position as at June 30, 2024, the available funds are not considered adequate to meet requirements for the estimated operations and development activities on the Company’s technologies in the coming twelve-month period. These requirements may be adversely impacted by an absence of normal available financing due to the continued uncertainty in the markets. To address its financing requirements, the Company will seek financing through and not limited to debt financing, equity financing and strategic alliances. However, there is no assurance that such financing will be available. This material uncertainty casts significant doubt upon the Company’s ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

**2. Statement of compliance and basis of presentation**

These condensed interim consolidated financial statements are prepared in accordance with IAS 34 - Interim Financial Reporting 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, 2023. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of August 28, 2024 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, 2023.

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**3. Material 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 3 in the Company's annual financial statements for the year ended December 31, 2023.

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

**4. Equipment**

	June 30, 2024	December 31, 2023
Cost	\$ 66,641	\$ 66,641
Accumulated amortization	(36,524)	(29,458)
	\$ 30,117	\$ 37,183

**5. Intangible assets**

	Intellectual Property	Website	Trademarks	Total
<b>Cost</b>				
Balance - December 31, 2023	\$ 25,617,534	\$ 49,404	\$ 9,904	\$ 25,676,842
Acquisitions	-	-	380	380
Balance - June 30, 2023	\$ 25,617,534	\$ 49,404	\$ 10,284	\$ 25,677,222
<b>Accumulated amortization</b>				
Balance - December 31, 2023	\$ 2,687,564	\$ 38,205	\$ 1,513	\$ 2,727,282
Amortization	638,649	7,786	503	646,938
Balance - June 30, 2024	\$ 3,326,213	\$ 45,991	\$ 2,016	\$ 3,374,220
Net carrying value - December 31, 2023	\$ 22,929,970	\$ 11,199	\$ 8,391	\$ 22,949,560
Net carrying value - June 30, 2024	\$ 22,291,321	\$ 3,413	\$ 8,267	\$ 22,303,001

ASEP Medical Holdings Inc.  
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**6. Investment in Hunan Sanway SepSMART Ltd. and revenue**

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

	June 30, 2024	December 31, 2023
Opening balance	\$ 2,375,000	\$ 2,375,000
Share of loss	(27,659)	-
Closing balance	\$ 2,347,341	\$ 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 subsidiary 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”). In order to satisfy its subscribed registered capital, Sansure Fund is required to make a cash contribution of RMB 3,000,000 (CAD \$570,000) upon the formation date of SepSMART (contributed on December 22, 2023) and to make additional cash contributions of RMB 24,500,000 (CAD \$4,655,000) and RMB 10,000,000 (CAD \$1,900,000), referred to as the second and third tranche, respectively. The second tranche of funding is due upon completion of 80 test samples based on a protocol mutually agreed by the Sansure Fund and Sepset regarding the sepsis kit and the third tranche is due upon completion of pre-clinical studies, trial design, and obtaining the approval to conduct the clinical study regarding the sepsis kit. 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 \$147,980 was recorded in the condensed interim consolidated statement of comprehensive loss for the six month period ended June 30, 2024, 2024 and the balance of unearned revenues of \$2,205,880 as at June 30, 2024 (\$2,353,860 as at December 31, 2023) is recorded in the condensed interim consolidated statement of financial position as deferred revenue and will be recognized over the remaining life of the license on a straight-line basis. The estimated transaction price included 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.



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**6. Investment in Hunan Sanway SepSMART Ltd. and revenue – continued**

Summary of Hunan Sanway SepSMART Ltd. statements of financial position

		June 30, 2024	December 31, 2023
Current assets	\$	559,155	\$ 570,000
Less - current liabilities		-	-
		559,155	570,000
Non-current assets		8,830,209	8,930,000
Less-non-current liabilities		-	-
		8,830,209	8,930,000
Net assets		9,389,364	9,500,000
ASEP's share - percentage		25%	25%
ASEP's share - net assets	\$	2,347,341	\$ 2,375,000

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

	Three month period ended		Six month period ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenues	\$ -	\$ -	\$ -	\$ -
Expenses	53,157	-	110,636	-
Net income (loss)	(53,157)	-	(110,636)	-
Other comprehensive income (loss)	(116)	-	(75)	-
Comprehensive income (loss)	\$ (53,274)	\$ -	\$ (110,712)	\$ -

**7. Loan payable**

		June 30, 2024	December 31, 2023
Demand loan			
Principal	\$	20,000	\$ 20,000
Interest		1,510	\$ 270
		\$ 21,510	\$ 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 without stated terms of repayment. Interest of \$1,240 for the six month period ended June 30, 2024 has been accrued on the loan payable (June 30, 2023 - \$Nil) in these condensed interim consolidated financial statements. Accrued interest at June 30, 2024 is \$1,510 (December 31, 2023 - \$270).

REWH is an entity controlled by Robert Hancock, an officer and a director of the Company (note 10).

ASEP Medical Holdings Inc.  
Condensed Interim Consolidated Notes to the Financial Statements  
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(Expressed in Canadian Dollars)

**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 share capital***

- i. On March 1, 2024, the Company issued 209,301 common shares to certain members of the Advisory Board to compensate them for consulting 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 (\$457,188) 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 June 3, 2024, the Company issued 243,243 common shares to certain members of the Advisory Board to compensate them for consulting services provided totalling \$45,000 for the period March 1, 2024 to May 31, 2024.

As at June 30, 2024, there were 76,302,390 (December 31, 2023 - 74,184,087) issued and outstanding common shares and nil issued and outstanding preferred shares (December 31, 2023 – nil).

***Escrowed shares***

As at June 30, 2024, 889,366 (December 31, 2023 – 889,366) shares are being held in escrow. The shares are being released over a 36-month term that commenced on January 23, 2022.

***Warrants***

	June 30, 2024		December 31, 2023	
	Number of warrants outstanding	Amount	Number of warrants outstanding	Amount
Opening balance	6,978,930	\$ 744,699	-	\$ -
Granted	3,000,000	326,515	6,978,930	744,699
Expired	-	-	-	-
Closing balance	9,978,930	\$ 1,071,214	6,978,930	\$ 744,699

The fair value of the 3,000,000 performance warrants issued to Sansure Biotech Inc. totaled \$326,515.

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**8. Share capital - continued**

The warrants were valued using the Black-Scholes valuation model, using the following assumptions:

YE 2024							
Warrant term	Volatility	Dividend yield	Risk-free interest rate	Warrants issued	Estimated fair value	Warrant issue costs	Net
1 year	243.56%	0%	0.97%	3,000,000	\$ 326,515	\$ -	\$ 326,515

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 June 30, 2024, 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	0.43
128,000	0.20	December 19, 2025	0.02
3,915,930	0.26	December 27, 2025	0.59
3,000,000	1.00	April 8, 2025	0.23
9,978,930	0.48		1.04

**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.

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**8. Share capital – continued**

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
				<u>793,034</u>	<u>\$ 234,095</u>

During the six month period ended June 30, 2024, the Company recognized \$14,010 (2023 - \$267,926) of share-based compensation for the vesting of stock options granted.

A continuity of stock options for the six month period ended June 30, 2024 and the year ended December 31, 2023 is as follows:

	June 30, 2024		December 31, 2023	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Opening balance	5,813,034	\$ 0.45	5,420,000	\$ 0.46
Granted	-	\$ -	793,034	\$ 0.34
Exercised	-	\$ -	(200,000)	\$ 0.30
Expired	-	\$ -	(200,000)	\$ 0.50
Closing balance	<u>5,813,034</u>	<u>\$ 0.45</u>	<u>5,813,034</u>	<u>\$ 0.45</u>

The following stock options are outstanding at June 30, 2024:

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
4,140,000	4,140,000	\$ 0.50	\$ 0.37	5.26
200,000	200,000	\$ 0.30	\$ 0.01	0.28
200,000	149,863	\$ 0.30	\$ 0.01	0.28
480,000	480,000	\$ 0.30	\$ 0.03	0.69
400,000	382,038	\$ 0.36	\$ 0.02	0.59
300,000	208,071	\$ 0.30	\$ 0.01	0.45
93,034	93,034	\$ 0.39	\$ 0.01	0.14
<u>5,813,034</u>	<u>5,653,006</u>		<u>\$ 0.45</u>	<u>7.71</u>

## 8. Share capital - continued

### *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 vested 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 six month period ended June 30, 2024, the Company issued 1,665,759 common shares on vesting of RSUs and the estimated fair value of these shares (\$458,361) was transferred from reserves to capital stock on date of issue.

During the six month period ended June 30, 2024, the Company recognized \$72,327 (2023 - \$563,728) of share-based compensation over the vesting period of RSUs granted.

Continuity of the RSUs granted for the six month period ended June 30, 2024 and the year ended December 31, 2023 is as follows:

	June 30, 2024		December 31, 2023	
	Number of RSUs outstanding	Estimated fair value	Number of RSUs outstanding	Estimated fair value
Opening balance	1,769,016	\$ 487,033	-	\$ -
Granted	-	-	6,213,034	1,709,692
Settled	(1,665,759)	(458,361)	(4,444,018)	(1,222,659)
Closing balance	103,257	\$ 28,673	1,769,016	\$ 487,033

## 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.

At June 30, 2024 and December 31, 2023, the NCI consisted of the following:

	June 30, 2024	December 31, 2023
ABT	\$ 4,882,422	\$ 5,060,259
Sepset	4,629,729	4,829,496
SafeCoat	52,613	59,080
Total	\$ 9,564,764	\$ 9,948,835

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**9. Non-controlling interests - continued**

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

**Summary of statements of financial position**

	June 30, 2024	June 30, 2024	June 30, 2024
	ABT	Sepset	SafeCoat
NCI percentage	49.90%	49.90%	12%
Assets	\$ 11,911,024	\$ 13,624,478	\$ 666,194
Less - liabilities	(72,241)	(2,318,929)	102,860
Total net assets	\$ 11,838,783	\$ 11,305,549	\$ 769,054

  

	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

**Summary statements of loss and comprehensive loss**

For the six month period ended June 30, 2024				
	ABT	Sepset	SafeCoat	Total
Loss and comprehensive loss for period	\$ (400,334)	\$ (356,388)	\$ (53,889)	\$ (810,611)

  

For the three month period ended June 30, 2024				
	ABT	Sepset	SafeCoat	Total
Loss and comprehensive loss for period	\$ (206,294)	\$ (208,910)	\$ (45,414)	\$ (460,618)

  

For the six month period ended June 30, 2023				
	ABT	Sepset	SafeCoat	Total
Loss and comprehensive loss for period	\$ (567,987)	\$ (674,488)	\$ -	\$ (1,242,475)

  

For the three month period ended June 30, 2023				
	ABT	Sepset	SafeCoat	Total
Loss and comprehensive loss for period	\$ (328,235)	\$ (321,044)	\$ -	\$ (649,279)

**Summary statements of cash flows**

For the six month period ended June 30, 2024				
	ABT	Sepset	SafeCoat	Total
Net cash provided by (used in) operating activities	\$ (9,734)	\$ (227,028)	\$ (14)	\$ (236,775)
Net cash provided by (used in) investing activities	-	(380)	-	(380)
Net cash provided by (used in) financing activities	6,093	50,659	(800)	55,953

  

For the six month period ended June 30, 2023				
	ABT	Sepset	SafeCoat	Total
Net cash provided by (used in) operating activities	\$ (28,124)	\$ (324,804)	\$ -	\$ (352,928)
Net cash provided by (used in) investing activities	-	(1,227)	-	(1,227)
Net cash provided by (used in) financing activities	(235,050)	(65,000)	-	(300,050)

**Changes to NCI**

	ABT	Sepset	SafeCoat	Total
Balance – December 31, 2023	\$ 5,060,259	\$ 4,829,496	\$ 59,080	\$ 9,948,835
Loss attributable to NCI	(177,837)	(199,767)	(6,467)	(384,071)
Balance – June 30, 2024	\$ 4,882,422	\$ 4,629,729	\$ 52,613	\$ 9,564,764

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**10. 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.

	Three month period ended		Six month period ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Consulting fees	\$ 52,500	\$ 52,500	\$ 105,000	\$ 105,000
Directors fees	18,000	18,000	36,000	36,000
Management salaries	108,375	108,375	216,750	216,750
Share-based compensation	866	251,881	43,182	467,336
	\$ 179,740	\$ 430,756	\$ 400,931	\$ 825,086

	June 30,	December 31,
	2024	2023
Balances payable to key management personnel for compensation	\$ 560,100	\$ 249,300

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

Other amount included in the condensed interim consolidated financial statements due to related parties, is as follows:

	June 30,	December 31,
	2024	2023
Due to related parties	\$ 208,273	\$ -
Loan payable (note 7)	\$ 21,510	\$ 20,270

During the six month period ended June 30, 2024, directors, officers and shareholders advanced funds of \$208,273 (December 31, 2023 - \$Nil) for working capital purposes.

**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 June 30, 2024, the Company's maximum credit risk was \$25,301.

***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.

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**11. Financial risk and capital management – continued**

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 June 30, 2024, the Company had working capital deficit of \$1,828,891 (note 1).

The Company's contractual obligations at June 30, 2024 are as follows:

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 1,616,291	\$ -	\$ -	\$ 1,616,291
Due to related parties	208,273	-	-	208,273
Loan payable	21,510	-	-	21,510
	<u>\$ 1,846,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,846,074</u>

***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:

	June 30, 2024	December 31, 2023
Financial assets at FVTPL:		
Cash	\$ 25,301	\$ 64,721

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

	June 30, 2024	December 31, 2023
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	\$ 1,616,291	\$ 677,731
Due to related parties	208,273	-
Loan payable	21,510	20,270
	<u>\$ 1,846,074</u>	<u>\$ 698,001</u>



**11. Financial risk and capital management – continued**

***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. Commitments**

**License Agreements**

The Sepset<sup>ER</sup> 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 Sepset<sup>ER</sup> 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 Sepset<sup>ER</sup> 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.

**13. Subsequent events**

The following events have occurred:

- On July 3, 2024, the Company issued 3,257 common shares on settlement of the fourth 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.
- Directors, officers and shareholders have advanced a further \$27,870 for working capital purposes.