FORM 5A

ANNUAL LISTING SUMMARY

Introduction

The requirement to file this Form 5A does not apply to NV Issuers. NV Issuers must file a Form 51-102F2 Annual Information Form.

This Annual Listing Summary must be posted on or before the day on which the Issuer's annual financial statements are to be filed under the Securities Act. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies.

General Instructions

(a) Prepare this Annual Listing Summary using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Listed Issuer Name: ASEP Medical Holdings Inc. (the "**Company**")

Website: https://asepmedical.com/

Listing Statement Date: April 26, 2024

Description(s) of listed securities(symbol/type):

The Company's common shares are currently quoted on the Canadian Stock Exchange ("**CSE**") under the trading symbol "ASEP", the OTCQB under the trading symbol "SEPSF" and on the Frankfurt Stock Exchange ("**FSE**") under the trading symbol "FSX:JJ8".

Brief Description of the Issuer's Business:

The Company is focused on discovering and developing diagnostic and therapeutic solutions to mitigate the global crisis of antibiotic failure by improving patients' odds of survival and quality of life through acquiring assets, technologies and/or businesses in the areas of life sciences and medical diagnostics. The Company, through its subsidiaries, has developed a potent, proprietary peptide technology that directly addresses the ineffectiveness of current treatment options by suppressing biofilm regrowth and reducing inflammation.

The Company fights antibiotic failure on two fronts, diagnostic and therapeutic. For the diagnostic product, the Company is developing a novel assay that provides earlier, faster diagnosis and enables targeted treatment of sepsis. The Company's therapeutic product consists of patented pharmaceutical peptides that target currently untreatable biofilm infections and associated inflammation.

The Company's technologies are novel in the early diagnosis of sepsis and treatment of biofilm infections. Conventional sepsis diagnoses can take approximately 13 to 48 hours. The Company's technology can yield results significantly faster than conventional methods, by providing results in approximately 1.5 hours after patient sample collection. There are currently no approved drugs that treat biofilm infections. The Company believes that its peptide technology will, in the future, obtain the requisite approval and act as a lead treatment for a range of indications caused by biofilm infections.

Description of additional (unlisted) securities outstanding

Nil.

Jurisdiction of Incorporation:

The Company was incorporated under the BC Business Corporations Act ("**BCBCA**") on January 20, 2021 with the name "Trenchant Life Sciences Investment Corp." On November 9, 2021, the Company changed its name to "ASEP Medical Holdings Inc.".

Fiscal Year End:

December 31, 2023

Date of Last Shareholders' Meeting and Date of Next Shareholders' Meeting (if scheduled):
The Company's last shareholder's meeting was on June 30, 2023. The Company's next Shareholders' meeting – date yet to be determined.

Financial Information as at: December 31, 2023		
	Current	**Previous**
Cash	$64,721	$2,130,390
Current assets	$250,943	$3,398,645
Non-current assets	$25,361,743	$23,679,740
Current liabilities	$995,587	$528,161
Non-current liabilities	$2,056,274	Nil
Shareholders' equity	$12,611,990	$15,469,998
Revenue	$21,140	Nil
Net income (loss)	$(9,430,513)	$(5,757,286)
Cash flow provided by (used for) operations activities	$(2,712,598)	$(3,614,476)
Cash provided by (used for) investing activities	$(4,471)	$124,796
Cash provided by (used for) financing activities	$651,400	$330,000

SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in the Schedules. If the required details are included in Schedule A or B, provide specific reference to the page or note.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

For information regarding Related Party Transactions, please refer to note 13 in the Company's audited consolidated financial statements for the year ended December 31, 2023, attached as Schedule A to this Form 5A – Annual Summary and page 14 of the Company's Management Discussion and Analysis attached as Schedule B to this Form 5A – Annual Summary.

2. Summary of securities issued and options granted during the period.

Provide the following information for the Listed Issuer's fiscal year:

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
June 15, 2023	Common shares	RSUs vesting	1,200,000	$0.31 (deemed)	$372,000	Share-based compensation	550,000 Arm's length 650,000 directors & officers	N/A
July 19, 2023	Common shares	Shares for services (debt settlement)	145,161	$0.31 (deemed)	$45,000	Board advisory fees	Arm's length	N/A
July 1, 2023	Common shares	Options exercised	200,000	$0.30	$60,000	N/A	Arm's length	N/A
September 12, 2023	Common shares	Shares for services (debt settlement)	249,999	$0.18 (deemed)	$45,000	Board advisory fees	Arm's length	N/A
September 12, 2023	Common shares	RSUs vesting	1,675,000	$0.185 (deemed)	$309,875	Share-based compensation	700,000 Arm's length 975,000 directors & officers	N/A
September 27, 2023	Common shares	RSUs vesting	3,259	$0.245 (deemed)	$798	Share-based compensation	Arm's length	N/A
December 1, 2023	Common shares	Shares for services (debt settlement)	163,635	$0.275 (deemed)	$45,000	Board advisory fees	Arm's length	N/A
December 5, 2023	Common shares	RSUs vesting	1,562,000	$0.24 (deemed)	$374,880	Share-based compensation	687,000 Arm's length 875,000 directors & officers	N/A

December 19, 2023	Common shares	Life offering	2,935,000	$0.20	$570,000	cash	Arm's length	$15,600
December 19, 2023	Warrants	Life offering						
December 27, 2023	Common shares	Debt settlement	3,915,930	$0.20 (deemed)	$783,186	Services Convertible debenture	3,810,930 Arm's length 105,000 officer	N/A
December 29, 2023	Common shares	RSUs vesting	3,259	$0.235 (deemed)	$786	Share-based compensation	Arm's length	N/A

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
June 20, 2023	93,034	N/A	Consultant	$039	June 20, 2033	

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of securities outstanding for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

For information regarding Share Capital, please refer to note 11 in the Company's Audited Annual Financial Statements for the year ended December 31, 2023, attached as Schedule A to this Form 5A.

(b) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Outstanding stock options as at December 31, 2023:

Name of Optionee	No. of Optioned Shares	Exercise Price	Original Date of Grant	Expiry Date
Dr. Robert E.W. Hancock	900,000	$0.50	November 18, 2021	November 18, 2031
	300,000	$0.36	January 19, 2023	January 19, 2033
Derrold Norgaard	300,000	$0.50	November 18, 2021	November 18, 2031
Timothy Murphy	300,000	$0.50	November 18, 2021	November 18, 2031
	200,000	$0.30	November 24, 2022	November 24, 2032
Jennifer Gretchen	400,000	$0.50	November 18, 2021	November 18, 2031
	50,000	$0.36	January 19, 2023	January 19, 2033
Dr. Fadia Saad	400,000	$0.50	November 18, 2021	November 18, 2031
Dr. Evan Haney	300,000	$0.50	November 18, 2021	November 18, 2031
Dr. Peter Zhang	50,000	$0.50	November 18, 2021	November 18, 2031
Patrick McBride	500,000	$0.50	November 18, 2021	November 18, 2031
Dr. Christopher Mow	100,000	$0.50	November 18, 2021	November 18, 2031
Burton Financial Inc.	400,000	$0.50	November 18, 2021	November 18, 2031
Mike Graw	400,000	$0.50	November 18, 2021	November 18, 2031
	200,000	$0.30	November 24, 2022	November 24, 2032
Cristina Bittante	20,000	$0.50	November 18, 2021	November 18, 2031
Laura Thom	50,000	$0.50	November 18, 2021	November 18, 2031
Jaqueline Tucker	20,000	$0.50	November 18, 2021	November 18, 2031
	200,000	$0.30	October 1, 2022	October 1, 2032
Richard Heinzl	200,000	$0.30	September 29, 2022	September 29, 2032
Kreshnik Agoviku	80,000	$0.30	November 24, 2022	November 24, 2032
Sheila Galan	50,000	$0.36	January 19, 2023	January 19, 2033
Dr. Robert Stenstrom	200,000	$0.30	March 1, 2023	March 1, 2033
Islam Mohamed	50,000	$0.30	March 1, 2023	March 1, 2033
Thomas O'Shaughnessy	50,000	$0.30	March 1, 2023	March 1, 2033
Louise Pacini	93,034	$0.39	June 20, 2023	June 20, 2033
TOTAL	**5,813,034**			

Restricted Share Units ("**RSUs**") outstanding as at December 31, 2023::

Name of Optionee	No. of Underlying Shares	Exercise Terms	Original Date of Grant	Expiry Date
Dr. Robert E.W. Hancock	175,000	*1	March 1, 2023	March 1, 2024
Murphy Enterprises Inc.	125,000	*1	March 1, 2023	March 1, 2024
Dr. Evan Haney	250,000	*1	March 1, 2023	March 1, 2024
Dr. Fadia Saad	125,000	*1	March 1, 2023	March 1, 2024
Jaqueline Tucker Professional Corporation	125,000	*1	March 1, 2023	March 1, 2024
Mike Graw	125,000	*1	March 1, 2023	March 1, 2024
Derrold Norgaard	100,000	*1	March 1, 2023	March 1, 2024
Dr. Richard Heinzl	100,000	*1	March 1, 2023	March 1, 2024
Christopher Dallin	37,500	*1	March 1, 2023	March 1, 2024
Laura Thom	37,500	*1	March 1, 2023	March 1, 2024
Sheila Galan	37,500	*1	March 1, 2023	March 1, 2024
Jennifer Gretchen	75,000	*1	March 1, 2023	March 1, 2024
Tom English	125,000	*1	March 1, 2023	March 1, 2024
Peter Zhang	50,000	*1	March 1, 2023	March 1, 2024
Dr. Christopher Mow	12,500	*1	March 1, 2023	March 1, 2024
David L. Johnson	50,000	*1	March 1, 2023	March 1, 2024
Islam Mohamed	37,500	*1	March 1, 2023	March 1, 2024
James Bernard Rice	50,000	*1	March 1, 2023	March 1, 2024
Thomas O'Shaughnessy	25,000	*1	March 1, 2023	March 1, 2024
Gen. Wesley Clark	100,000	*1	March 1, 2023	March 1, 2024
Louise Pacini	6,516	*2	June 20, 2023	June 20, 2024
Total	**1,769,016**			

(1) Subject to a deferral right, the RSUs vested 25% on June 1, 2023, 25% on September 1, 2023 and 25% on December 1, 2023 and 25% will vest on March 1, 2024.

(2) Subject to a deferral right, the RSUs vested 25% on September 20, 2023 and 25% on December 20, 2023 and 25% will vest on March 20, 2024 and 25% will vest on June 20, 2024.

Outstanding warrants as at December 31, 2023:

Description of security	No. of Underlying Shares	Exercise Price	Issue Date	Expiry Date
Warrants	2,935,000	$0.26	December 19, 2023	December 19, 2025
Broker warrants	128,000	$0.20	December 19, 2023	December 19, 2025
Warrants	3,915,930	$0.26	December 27, 2023	December 27, 2025
Total	**6,978,930**			

(c) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Description of Class	Total Number of Securities Held in Escrow
Common Shares	889,366 [(1)]

[(1)] Subject to the terms of the Escrow Agreement dated November 9, 2021 among the Company, Odyssey Trust Company and the holders of the escrowed securities, pursuant to NP 46-201 – *Escrow for Initial Public Offerings*.

4. List the names of the directors and officers and include the position(s) held and the date of appointment, as at the date this report is signed and filed.

Name	Position with the Issuer	Date of Appointment
Dr. Robert Hancock	Chief Executive Officer and Director	Officer: June 30, 2022 Director: November 9, 2021
Jacqueline Tucker	Chief Financial Officer	October 1, 2022
Dr. Evan Haney	Chief Science Officer	November 9, 2021
Dr. Fadia Saad	Chief Business Development Officer	November 9, 2021
Timothy Murphy	Chief Operating Officer, Corporate Secretary and Director	Chief Operating Officer: July 4, 2022 Corporate Secretary: October 1, 2022 Director: November 9, 2021
Derrold Norgaard	Director	November 9, 2021
Dr. Richard Heinzl	Director	September 29, 2022

5. Financial Resources

a) State the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;

b) Describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;

Respecting (a) & (b), please refer to the Key Operating Milestones section of the Issuer's Management, Discussion and Analysis attached hereto as Schedule B.

a) Advancement of our diagnostic technology, specifically Sepset^{ER} test kit towards commercialization of the product.

b) Refer to page 6 & 7 of the Issuer's Management, Discussion and Analysis attached hereto as Schedule B. Key milestones expected to be completed in 2024 are as follows:

- Completion of a clinical study to evaluate the performance of the Sepset^{ER} test kit and underlying classification algorithm on representative patients (estimated cost $42,500).
- Initiation of regulatory, 510(k), clinical trial to evaluate the performance of the Sepset^{ER} test kit in a clinical environment (estimated cost $5,620,000).

We are targeting to complete the pilot study by the end of the summer of 2024 and commence clinical trials thereafter. Clinical trials are expected to take 6 months from date of commencement. Timing and completion is dependent on availability of funds.

c) Disclose the total funds available to the Issuer and the following breakdown of those funds:

(i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and

(ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b); and

(iii) describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.

The following tables set out anticipated available funds and use of funds.

Available funds	Notes	
Financing	1	$ 3,000,000
Grants	2	1,020,000
Debt settlement	3	320,000
Working capital deficiency - March 31, 2024	4	(900,000)
Total		$ 3,440,000

Notes:

1. Anticipated debt or equity financing to be completed.
2. Estimated grant funding of US$750,000 (CAD$1,020,000).
3. Estimated current debt that the Issuer will be able to settle through the issuance of common shares.
4. Significant decline in working capital from December 31, 2022 to December 31, 2023, refer to Schedule A & Schedule B appended hereto. During the year ended December 31, 2023 funds were used for general and administrative expenses, research and development and the ongoing development of the Issuer's current business endeavours.

Use of funds	Notes	
Regulatory review and approval	1	$ 1,866,750
General corporate and administrative expenses	2	1,200,000
Investory relations and communications		373,250
Total		$ 3,440,000

Notes:

1. Advancement of the Issuer's diagnostic technology, Sepset^{ER} test kit, refer above to 5(b).
2. Estimated general and administrative expenses are expected to consist of (without limitation:
   i. $281,850 in salaries and benefits;
   ii. $513,454 for professional fees and consultants;
   iii. $145,000 in audit fees;
   iv. $100,600 in office rent, IT support and general and administrative expenses;
   v. $110,000 in legal fees;
   vi. $14,000 in CSE continued listing fees; and,
   vii. $30,000 in transfer agent and filing fees.

Respecting (c), please refer to the Consolidated Statements of Cash Flows from the Issuer's audited consolidated financial statements, attached hereto as Schedule A, and in particular note 1 – Nature of operations and going concern and note 15 – Financial Risk and capital management.

6. Status of Operations

During the fiscal year, did the Listed Issuer

(a) reduce or impair its principal operating assets; or

(b) cease or substantively reduce its business operations with respect to its stated business objectives in the most recent Listing Statement?

Provide details:

This section is non-applicable.

7. Business Activity

a) Activity for a mining or oil and gas Listed Issuer

(i) For the most recent fiscal year, did the Listed Issuer have positive cash flow, significant revenue from operations, or $50,000 in exploration or development expenditures?

Provide details.

This section is not applicable to the Company.

(ii) If the response to (i) above is “no”, for the three most recent fiscal years did the Listed Issuer have an aggregate of $100,000 in exploration or development expenditures?

Provide details.

This section is not applicable to the Company.

b) Activity for industry segments other than mining or oil & gas

(i) For the most recent fiscal year, did the Listed Issuer have positive cash flow, or $100,000 in revenue from operations or $100,000 in development expenditures?

Provide details.

The Company had $678,543 in research and development expenditures.

(ii) If the response to (i) above is “no”, for the three most recent fiscal years, did the Listed Issuer have either $200,000 in operating revenues or $200,000 in expenditures directly related to the development of the business?

Provide details.

Since the Company had more than $100,000 in development expenditures in the most recent fiscal year, 7(b)(iii) is not applicable.

SCHEDULE A: AUDITED ANNUAL FINANCIAL STATEMENTS

SCHEDULE B: MANAGEMENT DISCUSSION AND ANALYSIS

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Annual Listing Summary.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated April 26, 2024

Jacqueline M. Tucker
Name of Director or Senior Officer

"/s/ Jacqueline M. Tucker"
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer ASEP Medical Holdings Inc.	For Year Ended December 31, 2023	Date of Report YY/MM/D 2024/04/26
Issuer Address 420 – 730 View Street		
City/Province/Postal Code Victoria, BC, V8W 3Y7	Issuer Fax No. ( )	Issuer Telephone No. (778) 600-0509
Contact Name Jacqueline Tucker	Contact Position CFO	Contact Telephone No. (403) 999-1393
Contact Email Address jacqueline@asepmedical.com	Web Site Address asepmedical.com	

Schedule "A"

ASEP MEDICAL HOLDINGS INC.

Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

Expressed in Canadian Dollars

manning elliott

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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"
Derrold Norgaard, Chairman of the Audit Committee and Independent Director

"/s/ Richard Heinzl"
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			Deficit	Equity Attributable to Shareholders	Non-Controlling Interest	Total Equity
	Shares	Amount	Convertible Debenture	Warrants	Contributed Surplus				
Balance - December 31, 2021	56,130,344	$ 19,467,132	$ -	$ 35,921	$ 956,227	$ (2,200,086)	$ 18,259,194	$ 12,312,734	$ 30,571,928
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

Amendments to IAS 1: Classification of Liabilities as Current or Non – current:
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.

Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
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.

ASEP MEDICAL HOLDINGS INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2023

Date of Report: April 26, 2024

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") provides a review of the performance of the operations of Asep Medical Holdings Inc. (collectively, with its subsidiaries, "Asep" or the "Company") for the year ended December 31, 2023 ("Fiscal 2023") compared to the year ended December 31, 2022 ("Fiscal 2022"). This MD&A has been prepared in compliance with National Instrument 51-102 F1 – Continuous Disclosure Obligations. This MD&A has been prepared on the basis of available information up to April 26, 2024 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2023 and the corresponding notes to the financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on SEDAR at www.sedar.com. All dollar amounts are expressed in Canadian dollars ("CAD") except where indicated otherwise.

Additional information on the Company is available on the SEDAR website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not be realized.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated. The reader is cautioned not to place undue reliance on any forward-looking statements contained in this MD&A. Such forward-looking statements are presented for the purpose of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives in making an investment decision and may not be appropriate for other purposes. All forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events, except as required by applicable laws.

RISKS AND UNCERTAINTIES

Risk factors applicable to the Company and its business include:

- risks related to the Company's investments in private issuers and illiquid securities, and the potential concentration of the Company's investments;
- that the Company may be unable to identify sources of income to generate material cash flow and revenue, and even if identified, such sources of income may be unavailable to the Company;
- that the Company is heavily reliant on its directors and management, and they only devote part of their time and efforts to the affairs of the Company;
- risks related to the Company's investment approach, objectives and strategy;
- the ability of the Company to identify other potential investment opportunities on satisfactory terms or at all;
- risks relating to available investment opportunities and competition for investments;
- the ability of the Company to obtain future financing on acceptable terms or at all; and,
- other risks that may arise from time to time that are beyond the knowledge and/or control of the Company.

INTRODUCTION

ASEP Medical Holdings Inc. (formerly Trenchant Life Sciences Investment Corp.) (the "Company" or "ASEP") was incorporated under the British Columbia Business Corporations Act on January 20, 2021. On November 22, 2021, the Company commenced trading on the Canadian Securities Exchange (the "CSE") as a life sciences issuer under the trading symbol "ASEP". On April 19, 2022, the Company commenced trading on the OTCQB under the trading symbol "SEPSF". On November 10, 2022, the Company commenced trading on the Frankfurt Exchange under the trading symbol "FSX:JJ8.

The Company's head office is located at Unit 420, 730 View Street, Victoria, BC V8W 3Y7.

DESCRIPTION OF THE BUSINESS

ASEP is in the business of acquiring research and development assets, technologies and/or businesses in the area of life sciences and medical diagnostics.

As of the date of filing this MD&A, the Company has the following subsidiaries:

	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%

ABT Innovations Inc.
ABT was incorporated on July 3, 2015 pursuant to the provisions of the BCBCA under the name "ABT Innovations Inc." for the purpose of ensuring the commercialization of the broad peptide technology developed by its founder, Dr. Robert E.W. Hancock. This peptide technology covers a broad range of therapeutic applications including bacterial biofilm infections (medical device infections, chronic infections, lung, bladder, wound, dental, skin, ear-nose and throat, sinusitis, orthopedic, etc.), representing two thirds of all infections, anti-inflammatories, anti-infective immune-modulators and vaccine adjuvants.

Sepset Biosciences Inc.
Sepset was incorporated on April 23, 2015 pursuant to the provisions of the BCBCA under the name "Sepset Biosciences Inc." for the purpose of ensuring the commercialization of a diagnostic kit for predicting the onset of severe sepsis and organ failure that was developed by its founder Dr. Robert E.W. Hancock. Its diagnostic technology involves a patient gene expression signature that is identified in the blood and assessable by nucleic acid amplification technologies. Sepset's diagnostic technology differs from current diagnostic tests in enabling diagnosis of severe sepsis within 1-2 hours of first clinical presentation (i.e., in the emergency room), while other diagnostics only provide diagnosis after 24-48 hours. Sepset believes this will enable critical early decisions to be made by physicians regarding appropriate therapies and reduces mortality and morbidity.

SafeCoat Medical Inc.
SafeCoat was incorporated on November 7, 2022 pursuant to the provisions of the BCBCA under the name "SafeCoat Medical Inc." for the purpose of ensuring the commercialization of medical devices with a proprietary anti-microbial, antifouling coating. Its novel coating that is being in-licenced from the University of British Columbia is characterized by superior broad-spectrum antifouling and antibiofilm activity demonstrated in animal models, proven biocompatibility, applicability to a broad range of surfaces and materials to prevent infection, resilience and stability, long-term activity due to its unique structure, and ability to repel proteins, bacteria and other fouling agents. This coating can be applied to diverse substrates including medical devices such as prosthetics, catheters, contact lenses etc. that can lead to a high rate of infections due to bacterial biofilms that can coat and compromise these devices.

CORPORATE UPDATES

- On January 6, 2023, the Company announced that it had signed a Letter of Intent for a joint venture with Bahrain-based Seaspring W.L.L. for regulatory approval and commercialization of sepsis diagnosis technology in the Kingdom of Bahrain, Middle East and North Africa;
- On January 20, 2023, the Company announced the adoption of a Long-Term Performance Incentive Plan and the grant of stock options;
- On January 27, 2023, the Company announced it had signed a term sheet to form a joint venture with a leading Chinese medical diagnostic company, Sansure Biotech Inc. for the commercialization of the SepsetER diagnostic test in China;
- On March 6, 2023, the Company announced the appointments of General Wesley Clark (Ret), David Johnson, J. Bernard Rice, Dr. Islam Mohamed and Thomas O'Shaughnessy to its Advisory Board and Dr. Rob Stenstrom, as Medical Director;
- On June 9, 2023, the Issuer announced it had signed a Definitive Agreement for Joint Venture with Bahrain-based Seaspring W.L.L. for Regulatory Approval and Commercialization of Sepsis Diagnosis Technology in the Kingdom of Bahrain, the Middle East and North Africa.
- On June 20, 2023, the Company announced the appointment of Louise Rose Pacini to its Advisory Board.
- On June 23, 2023, the Issuer announced along with their academic partners at the University of British Columbia (UBC), that they have been awarded a grant from the NanoMedicines Innovation Network (NMIN) to investigate further and identify an optimal nanoparticle-peptide solution with the specific goal of treating chronic sinus infections caused by biofilms. The funds ($200,000) will be used to establish pre-clinical toxicology parameters of the peptide technology and determine the pharmacokinetic and pharmacodynamic properties of the peptide when delivered intranasally to guide dosing regimens. This information will contribute to a pre-

IND (Investigational New Drug) meeting with the FDA and move the Issuer another step closer to formal clinical trials in humans.

- On July 3, 2023, the Issuer announced it had filed a confidential draft registration statement on Form F-1 with the U.S. Securities and Exchange Commission (Friday June 30, 2023) for its planned listing and trading of common shares on the NASDAQ stock exchange.
- On July 6, 2023, the Issuer announced that it held its Annual General Meeting of Shareholders (June 30, 2023) and all of the motions proposed in the Notice of Annual General Meeting dated May 31, 2023, which was filed on SEDAR together with the Management's Information Circular (June 6, 2023), were approved by the shareholders.
- On July 14, 2023, the Issuer announced the results of a recent scientific study led by the Company's Founder, Chair and CEO, Dr. Robert Hancock, that concluded that severe COVID-19 is a form of sepsis based on analysis of blood gene expression signatures. Importantly, this study highlights the potential benefits of a rapid diagnostic test for sepsis, such as the Company's SepsetER (TM) sepsis diagnostic test, that could identify COVID-19 patients at risk of developing severe sepsis as well as providing a path to a precision medicine approach to enable individualized treatment for the disease. Asep is an innovator on the front lines of sepsis diagnosis. In advanced development, the Company's technology could significantly benefit the fight against sepsis in future pandemics, not just COVID-19. The study results were published on January 23, 2023, in the scientific journal *Scientific Reports*.
- On July 31, 2023, the Issuer announced that, as of July 21, 2023, it completed the final milestone in its acquisition of SafeCoat Medical Inc. ("Safecoat") and entered into an exclusive worldwide license agreement with the University of British Columbia, through its subsidiary SafeCoat, for the use, development and commercialization of a ground-breaking medical device coating technology.
- On November 17, 2023, the Issuer announced it is in the final stage of its approval process for the draft registration statement on Form F-1, which was filed with the U.S. Securities and Exchange Commission (Refer to News Release July 3, 2023).
- On November 21, 2023, the Issuer announced that, through its subsidiary Sepset Biosciences Inc. ("**Sepset**"), it has signed a definitive joint venture agreement (the "**JV Agreement**") with leading Chinese medical diagnostic company, Sansure Biotech Inc. ("**Sansure**"), through its subsidiary, Hunan Xiang Jiang Sansure BiotechFund, L.P. (the "**Sansure Fund**"). Sansure Fund is an investment fund formed by Sansure, Changsha Sanway SpringVenture Capital CO., Ltd. ("**Sanway Spring**") and certain other investors. The JV Agreement was signed on October27, 2023.
- On November 24, 2023, the Issuer announced its AI-based sepsis diagnostic technology, called SepsetER TM, has received successful patent approval in the United States. The Company received confirmation from its attorneys of its US Patent Application No. 16/279788, which has been subsequently validated in the US, representing 332 million people. This patent is in addition to the successful European and Australian patents awarded to the Company in November of 2022, which represent approximately 400 million people.
- On November 30, 2023, the Issuer announced a non-brokered private placement of up to 10,000,000 units of the Company (each, a "**Unit**") at a price of $0.20 per Unit, for aggregate gross proceeds of up to $2,000,000. Each Unit will consist of one (1) common share in the capital of the Company (each, a "Common Share") and one non-transferable Common Share purchase warrant (each, a "Warrant"). Each Warrant will be exercisable into one (1) Common Share (each, a "Warrant Share") at a price of $0.26 per Warrant Share for a period of two (2) years.
- On December 18, 2023, the Issuer announced availability of a $500,000 credit facility from an arm's length lender, settlement of an aggregate of $783,186 of debt to certain creditors and certain amendments to the offering document previously filed and dated November 29, 2023.
- On December 20, 2023, the Issuer announced it has closed the first tranche of the LIFE Offering by: (1) issuing 2,935,000 Units at a price of $0.20 per Unit, for aggregate gross proceeds of $587,000, and (2) entering into debt settlement agreements to settle $783,186.00 against the issuance 3,915,930 Units, subject to a 5 day waiting period, for aggregate gross proceeds of $1,370,186.
- On December 28, 2023, the Issuer announced that, further to its news release of December 18, 2023, it has issued 3,915,930 units (each, a "Unit") of the Company at a deemed price of $0.20 per Unit in settlement of an

aggregate of $783,186 comprised of $421,000 for past services performed for the Company by certain creditors, and $362,186 for the settlement of a bona fide debt owed by the Company (the "Debt Settlement"). Each Unit consists of one common share in the capital of the Company (each, a "Common Share") and one Common Share purchase warrant (each, a "Warrant"), with each Warrant exercisable into one Common Share (each, a "Warrant Share") at a price of$0.26 per Warrant Share until December 27, 2025.

- On January 26, 2024, the Issuer announced a non-brokered private placement financing (the "Offering") of up to 7,500,000 units (each, a "Unit") at a price of $0.20 per Unit for gross proceeds of up to $1,500,000. Each Unit consists of one common share of the Company (each, a "Share") and one share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Share of the Company at a price of $0.26 per Share for a period of two years from closing of the Offering.
- On February 27, 2024, the Issuer announced that its proprietary gene expression signature for sepsis can provide an improved assessment of the severity of appendicitis in children.
- On March 13, 2024, the Issuer's CEO, Dr. Bob Hancock announced how the ground-breaking use of artificial intelligence (AI) has allowed the development of new and improved treatments for biofilm infections.
- On March 18, 2024, the Company announced that it was holding an online webinar on March 22, 2024, at 4:00 pm EST to provide significant updates on the Company's latest milestones.
- On April 5, 2024, the Company announced that its joint venture company with leading Chinese biotech company Sansure Biotech Inc. ("Sansure"), Hunan Sanway SepSMART Ltd. ("SepSMART"), which is based in Changsha, China, has obtained its business license and is now formally registered in China, which marks the final step for completion of the definitive joint venture agreement (the "JV Agreement") signed on October 27, 2023. Formal registration of SepSMART with the applicable regulatory body in China was a condition precedent of the JV Agreement and triggers the issuance of 3,000,000 performance warrants (the "Performance Warrants") to Sansure or its designated nominees pursuant to the warrant purchase agreement, subject to the required approvals and compliance with applicable securities laws and stock exchange policies. Each Performance Warrant is exercisable into one common share of Asep at an exercise price of $1.00 per common share for a period of one year from date of issuance. The Performance Warrants and underlying common shares are subject to a hold period expiring four months and one day from the date of issuance.

KEY OPERATING MILESTONES

In parallel to the continued advancements of the Company's subsidiaries, ABT Innovations Inc. ("ABT") and Sepset Biosciences Inc. ("Sepset"), the Business Development Team of ASEP is continuing a focused outreach program to identify potential clinical, manufacturing and commercialization relationships. We have identified a targeted list of companies that can potentially help us achieve our business goals as well as the ones that would have synergistic benefits from our technologies. Given that molecular diagnostics have a shorter development cycle and may result in clear overall savings (as illustrated by the RTI study mentioned above), our focus has been on potential partnerships for the Sepset^{ER} technology. As such, we have initiated contacts with a number of companies in the space. Our discussions thus far have contemplated stages of involvement and key territories including the USA, EU and Asia.

On October 27, 2023, Sepset entered into a definitive 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, a registered joint venture entity is to be formed, Hunan Sanway SepSMART Ltd. ("SepSMART"), whereby the Sansure Fund will subscribe for RMB 37,500,000 (CAD $7,125,000) of the registered capital (75%) and Sepset will be deemed to subscribe for RMB 12,500,000 (CAD $2,375,000) of the registered capital (25%) through the contribution of certain patent rights to Sepset's first generation rapid sepsis test, SepSetER pursuant to technology license and collaborative agreement entered into concurrently with SepSMART. On December 5, 2023, the business license was approved and SepSMART was formally registered in China effective that date.

The License Agreement grants SepSMART the exclusive right to commercialize SepsetER in Mainland China, the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan area for a period of eight (8) years and requires SepSMART to pay periodic royalty payments to Sepset on a performance basis.

We are also working on identifying potential companies that would be interested in our therapeutics technology in order to start cultivating these relationships as we move forward throughout the balance of the year.

ABT continued to make progress advancing the synthetic antibiofilm and immunomodulatory peptide technology towards clinical trials. ABT scientists have expanded their list of antibiotics that work in synergy with their proprietary peptide technology that could be combined in an aqueous solution and applied as an ointment to wound sites. Moreover, the presence of the peptides in combination with the antibiotics prevented the development of resistance, which addresses concerns related to the growing problem of antibiotic resistance. In addition, the company has examined the antimicrobial activity of their proprietary peptide technology against a wide range of clinically relevant bacteria to establish their activity against an assortment of Gram positive and Gram negative bacteria as well as fungal pathogens. ABT has also been engaged in detailed in vivo toxicity studies in mice to characterize the mechanisms of action underlying the toxic effects of the peptides (if any) that occur at high concentrations. Work also progressed on a NanoMedicines Innovation Network (NMIN) grant funded project to researchers at the University of British Columbia, in partnership with ABT Innovations, to identify an optimal nanoparticle formulation for the peptide technology and carry out important pre-clinical studies and establish pharmacokinetic and pharmacodynamic properties of the peptides when delivered intranasally. This information will be essential to inform future clinical studies and will reveal the optimal delivery vehicle for the peptides to achieve peak activity and lowest toxicity for the peptide indication related to treatment of chronic rhinosinusitis. Lastly, a new peptide patent was filed with UBC that contains numerous optimized antibiofilm peptide sequences with excellent broad-spectrum activity, both in vitro and in vivo. Subsequently, ABT licensed in this new patent on November 7, 2023 to enable the commercialization of this enhanced peptide technology to treat various biofilm-related infections.

Beyond clinical applications, ABT is exploring other opportunities to commercialize their proprietary peptide technology to address other areas where biofilms are of concern. To that end, ABT has identified oral health as an area of opportunity as dental plaque is a well known and ubiquitous natural biofilm that can contribute to infections within the oral cavity. Importantly, few products on the market can adequately address issues related to plaque biofilms and most strategies involve physical removal and scraping of the plaque from the tooth surface. Previous collaboration with dental researchers at the University of British Columbia have demonstrated excellent anti-biofilm activity for the peptides against oral plaque bacteria cultures and demonstrated the potential to develop this technology as oral rinses, exhibiting better activity compared to commercially available products such as chlorhexidine. ABT has made significant progress in this area by identifying an optimal peptide molecule with the desired activity profile based on laboratory testing and has recently entered into an agreement with Bohai Biomedical to perform a feasibility study to test the efficacy of a peptide containing oral rinse on preventing plaque biofilm growth in humans. Bohai and ABT are presently designing the study protocol jointly.

Sepset continued to make progress on their first generation in vitro diagnostic test for sepsis named Sepset^{ER}. The machine learning algorithm underlying Sepset^{ER} was refined and has been optimized for use in patient samples collected within the emergency room. This is a critical distinction compared to other sepsis diagnostic tests on the market as many of them target patients who are entering the ICU and whose condition is already quite advanced. The Company has optimized a rapid RNA isolation protocol that reduces the time for the critical RNA extraction step to under 20 minutes and have worked out the protocol that will be incorporated into the final kit design. The RNA extraction protocol employs a simple magnetic bead-based separation methodology that can be performed with readily available lab instrumentation and represents a dramatic improvement in processing time that is required for other approved RNA isolation methods (~20 minutes vs. ~3.5 hrs). A prototype of the Sepset^{ER} test kit has been prepared and its ability to quantify the gene expression levels from RNA samples isolated from healthy donors has been established through repeated testing. In addition, the company received ethics approval for a pilot clinical

study using blood samples from sepsis patients to evaluate the performance of the diagnostic test and underlying classification algorithm on representative patient samples. Finally, Sepset has established various performance criteria for the diagnostic kit and the new RNA isolation procedure including examining test precision, reproducibility, kit storage conditions, sample requirements, detection limits, etc. All testing and validation are being performed on the 7500 Fast Dx RT-qPCR Instrument from Applied Biosystems, which is a widely used diagnostic platform found in many clinical diagnostic labs.

In anticipation of engaging with the FDA for a pre-submission meeting as well as initiating a prospective clinical trial to evaluate the performance of Sepset^{ER} in a clinical setting, a contract research organization (CRO) was engaged to develop a clinical study synopsis that outlines the planned clinical study that will be used to evaluate the performance of the Sepset^{ER} test in a clinical setting. The Company used this synopsis document to solicit bids from leading CROs who specialize in supporting development of medical devices to run the clinical study to evaluate the clinical performance of the Sepset^{ER} test in accordance with it's intended use. A suitable CRO was identified with the necessary expertise and experience in running sepsis clinical studies and the Company agreed to a final timeline and budget for the project. Finally, Sepset continues to implement their electronic quality management system (eQMS) to ensure compliance with the regulatory requirements for medical devices. These activities are key steps to ensuring compliance with regulatory requirements, as the Sepset^{ER} test approaches its pivotal clinical trial to evaluate clinical performance of the Sepset^{ER} test.

SafeCoat Medical Inc. was acquired in December 2022 and entered into an exclusive worldwide license agreement with the University of British Columbia on July 21, 2023 for the use, development and commercialization of a ground-breaking medical device coating technology. The technology incorporates self-assembling biocompatible polymers that can be combined with conjugated antimicrobial peptides and applied to virtually any surface as a stable antimicrobial and/or anti-fouling coating. Of particular interest is the application of this versatile antimicrobial coating to various medical devices and implants that are often the source of biofilm-associated infection. Pursuant to the Agreement, the Company will hold 88% of the issued and outstanding shares of SafeCoat. UBC and the non-waiving inventors of the Technology will collectively own the remaining 12% of the issued and outstanding shares of SafeCoat in consideration for the exclusive license grant. Dr. Robert E. W. Hancock, Founder and CEO of Asep Inc., is one of the four non-waiving inventors of the SafeCoat Technology. The shares of SafeCoat have not yet been issued to the non-waiving inventors.

The Company has identified several firms that may be interested in the biocompatible anti-fouling technology and is in discussions to establish some strategic partnerships that can help with the commercialization of this technology.

Changes in Management, Board of Directors and Advisory Board

On March 1, 2023, General Wesley Clark (Ret.), David Johnson, J. Bernard Rice, Dr. Islam Mohamed and Thomas O'Shaughnessy were appointed as members to the Company's advisory board and Dr. Rob Stenstrom was engaged in a consulting capacity, as Asep's Medical Director. (Refer to News Release March 6, 2023)

On June 20, 2023, Louise Rose Pacini was appointed a member of the Company's advisory board. (Refer to News Release June 20, 2023).

SELECTED ANNUAL INFORMATION

(Information extracted from the Company's audited financial statements)
Expressed in Canadian dollars

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the period from January 20, 2021 (incorporation) to December 31, 2021
	$'s	$'s	$'s
Revenues	-	-	-
Net income (loss) attributable to:			
Shareholders	(8,227,328)	(4,524,981)	(2,200,086)
Non-controlling interest	(1,203,185)	(1,232,305)	(143,477)
Net income (loss)	(9,430,513)	(5,757,286)	(2,343,563)
Net income (loss) per share - basic and diluted	(0.13)	(0.08)	(0.10)
Cash dividends	-	-	-
Total assets	25,612,686	27,078,589	30,716,132
Long term liabilities	2,056,274	-	-
Shareholders' equity			
Share capital	24,045,616	19,842,132	19,467,132
Other components of equity	3,550,141	2,352,934	992,148
Deficit	(14,983,767)	(6,725,067)	(2,200,086)
	12,611,990	15,469,999	18,259,194
Non-controlling interest	9,948,835	11,080,429	12,312,734
Shareholders' equity	22,560,825	26,550,428	30,571,928

FINANCIAL POSITION

Total assets

Total assets at December 31, 2023 were $25,612,686 compared to $27,078,589 at December 31, 2022. The change in total assets relates to the decrease in cash and cash equivalents, decrease in deposits and prepaid expenses (use of funds by UBC pursuant to the collaborative research agreement and expensing of the six month contract for the investor relations program that was prepaid at the December 31, 2022 year end), decrease in property, plant and equipment (current year's amortization charge) and decrease in intangible assets (current year's amortization charge) offset by the purchase of computer equipment, additions to intellectual property and trademarks and the investment in Hunan Sanway SepSMART Ltd.

Total liabilities

At December 31, 2023, the Company's total liabilities (trade payables and accruals, loans and deferred revenue) were $3,051,861 compared to $528,161 (trade payables and accruals) at December 31, 2022. Significant increase in liabilities is primarily due to the recognition of $2,375,000 in revenue related to the licensing fee granted to Hunan Sanway SepSMART Ltd. ("SepSMART") as the Company's contribution to the associate. The revenue is being recognized over the license term of 8 years on a straight line basis from the date of formation (December 5, 2023) of SepSMART. At December 31, 2023, a balance of $2,353,860 is included in the consolidated statement of financial position as deferred revenue.

Total equity

The decrease in equity attributable to shareholders of $12,622,539 at December 31, 2023 from $15,469,999 at December 31, 2022, is primarily due to the loss attributable to shareholders incurred during the year of $8,216,779, offset by share-based compensation recognised on stock options and RSUs that vested during the year ($1,952,054), release of 4,500,000 contingently returnable shares issued in connection with the acquisition of SafeCoat ($1,800,000 of which $1,275,000 has been charged to operations as an acquisition expense and $525,000 has been recognized as intellectual property and included on the consolidated statement of financial position) and proceeds from Life Offering.

Additionally, the Company recognized a non-controlling interest on signing of the SafeCoat license agreement. SafeCoat has an obligation to issue 1,776,280 shares from treasury to the non-waiving investigators, representing a 12% ownership stake in SafeCoat with an estimated fair value of $71,591.

Results of Operations

Year ended December 31, 2023 compared to year ended December 31, 2022

(Information extacted from the audited consolidated financial statements)

Expressed in Canadian dollars

	For the year ended December 31, 2023	2022
Revenue	$ 21,140	$ -
	21,140	-
Expenses		
Amortization	1,294,266	1,282,394
Board advisory fees	230,673	79,887
Compensation	782,301	556,550
Consulting	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	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	(270)	(814)
Foreign exchange income (loss)	(4,116)	(2,399)
Loss on debt settlement	(429,864)	-
SafeCoat Medical Inc. acquisition expense	(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 period	$ (9,430,513)	$ (5,757,286)
Net loss and comprehensive loss attributable to:		
Shareholders	$ (8,227,328)	$ (4,524,981)
Non-controlling interest	(1,203,185)	(1,232,305)
	$ (9,430,513)	$ (5,757,286)

The net loss attributable to the shareholders for the year ended December 31, 2023 amounted to $8,227,328 compared to a net loss attributable to the shareholders for the comparative period of $4,524,981. Current year results included borrowing costs of $270 (2022: $814l), a foreign exchange loss of $4,116 (2022: $2,399), loss on debt settlement of $429,864 (2022: $Nil) and SafeCoat Medical Inc. acquisition costs of $1,275,000 (2022: $400,521).

Revenue

The Company recorded an investment in SepSMART of $2,375,000 on the vend in of certain patents licensed to the associate. The revenue from the license is being recognized over the license term of 8 years commencing December 5, 2023. In the current year, revenues of $21,140 have been recorded and the balance of the revenues of $2,353,860 to be recognized over the remaining term of the licenses are disclosed as deferred revenues in the consolidated statement of financial position.

Operating expenses

Operating expenses totalled $7,742,403 for the year ended December 31, 2023 compared to $5,442,652 for the comparative prior period.

Significant factors that contributed to the variances are discussed below:

The Company recorded amortization of $1,294,266 for the year ended December 31, 2023 (2022: $1,282,394) on intangible assets, lab equipment and computer equipment.

The Company incurred board advisory fees of $230,673 for the year ended December 31, 2023 (2022: $79,887). In prior comparative period, the Company had one board advisor who was receiving monthly compensation of US$5,000. In March 2023, the Company appointed new members to the advisory board, three of whom are receiving monthly compensation of $5,000 for their services, which are being settled through the issue of shares on a quarterly basis.

The Company recorded compensation expense of $782,301 for 2 employees of Asep, 3 employees of ASEP Medical Inc. and 2 employees of Sepset for the year ended December 31, 2023 (2022: $556,550). One full time employee was hired October 1, 2022 at a monthly rate of $15,000 and an additional employee was hired January 1, 2024 at a monthly rate of $9,200.

The Company incurred consulting costs of $514,478 (2022: $246,946) for the year ended December 31, 2023, which is related to the services provided by the Company's COO, CFO, Medical Director and external consultants for regulatory advisory services. In the prior year, consulting fees included the CEO up to the date of his resignation in June 2022, the COO from date of his appointment in July 2022 and the CFO from date of appointment in October 2022 and financial advisory services.

The Company incurred $222,903 of general & administrative costs during the year ended December 31, 2023 compared to $139,718 for the year ended December 31, 2022. The current year's expense includes travel, occupancy, IT support services and insurance costs. In the prior comparative period, there were no external IT support services and lower corporate activity.

For the year ended December 31, 2023, the Company has incurred investor relations costs of $1,110,409 (2022: $845,950). The Company has engaged the services of numerous consultants to assist in

i. managing communication between Asep's corporate management and current and potential investors; and,
ii. development of an investor relations program.

The Company incurred $760,006 in professional fees for the year ended December 31, 2023, which included legal, audit and accounting fees. Professional fees for the prior comparative period totalled $284,606. The increase is a result of increased corporate activity (SafeCoat License Agreement, Joint Venture Contract and supplemental agreements SepSMART, RSU Plan, Life Offering, Debt Settlement, general corporate matters and preparation of the

draft registration statement on Form F-1 filed on a confidential basis with the U.S. Securities and Exchange Commission (July 2023).

The Company incurred research & development costs of $678,543 for the year ended December 31, 2023 (2022: $615,040) related to the collaborative research agreements with the University of British Columbia (UBC). The current period expense is net of a SR&ED refund of $45,439 received by ABT for the claim made for the period from January 1, 2021 to November 9, 2021.

The Company recognized share-based compensation of $1,952,054 (2022: $1,119,072) related to stock options and RSUs that vested during the year ended December 31, 2023.

The Company incurred transfer agent & filing fees of $61,890 for the year ended December 31, 2023 (2022: $117,088). Current period includes CSE monthly maintenance fees, OTC fees, fees paid to regulators upon the Company filing its annual financial statements and Management's Discussion and Analysis and costs of printing and mailing Information Circular to shareholders for its Annual General Meeting held on June 30, 2023**.**

Summary of Quarterly Results – Unaudited

The following table details the Company's quarterly results:

Quarter Ended	Net revenues	Net income (loss) attributable to shareholders	Net income (loss) attributable to non-controlling interest	Net income (loss)	Income (loss) per share - basic & fully diluted
	$'s	$'s	$'s	$'s	$'s
31-Dec-23	-	(2,487,683)	(259,968)	(2,747,651)	(0.04)
30-Sep-23	-	(1,315,498)	(323,222)	(1,638,720)	(0.02)
30-Jun-23	-	(2,482,137)	(323,990)	(2,806,127)	(0.04)
31-Mar-23	-	(1,942,010)	(296,005)	(2,238,015)	(0.03)
31-Dec-22	-	(1,218,249)	(324,234)	(1,542,483)	(0.02)
30-Sep-22	-	(751,861)	(395,089)	(1,146,950)	(0.03)
30-Jun-22	-	(1,153,033)	(354,069)	(1,507,102)	(0.03)
31-Mar-22	-	(1,401,838)	(158,913)	(1,560,751)	(0.03)

There are no meaningful trends evident from analysis of the summary of quarterly financial information.

Factors that can cause significant fluctuations in the Company's quarterly results include professional fees and share-based compensation:

Quarter Ended	Professional fees	Share-based compensation
		$'s
31-Dec-23	397,650	691,592
30-Sep-23	63,011	428,809
30-Jun-23	196,523	501,231
31-Mar-23	102,822	330,423
31-Dec-22	20,148	169,332
30-Sep-22	65,377	184,803
30-Jun-22	118,625	278,584
31-Mar-22	80,456	486,353

Liquidity and Going Concern

As at December 31, 2023, the Company had cash of $64,721, other current assets of $186,222 and current liabilities of $995,587 compared to cash of $2,130,390, other current assets of $1,268,255 and current liabilities of $528,161 as at December 31, 2022.

As of December 31, 2023, Asep had working capital deficit of $744,645 (December 31, 2022 –working capital of $2,870,484). The Company estimates that it does not have available funds to meet requirements for the coming twelve months based on current estimated expenditures for operations and development of its technologies. These uncertainties cast significant doubt on the ability of the Company to continue as a going concern. As at December 31, 2023, the financial statements were prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. Management is working with its financial advisors to determine the best manner of raising capital over the next number of months. Management is considering an equity raise as well as, in the right circumstances and the right terms, a debt financing.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate capital funds including and not limited to grants, strategic alliances, debt financing and equity financing. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more development activities. There is no assurance that Asep will be able to obtain financing in the future or that such financing will be on terms acceptable to Asep.

CAPITAL RESOURCES

The Company has met its development and corporate capital requirements through receipt of grants, debt and equity financing and may be impacted by continued poor North American market conditions. Trends affecting the Company's liquidity may be dictated by the demands on financial resources created by the advancing nature of Asep's development of technologies, the pursuit of a growth strategy that targets acquisitions and the Company's ability to access the financial resources required to meet these demands. As the technologies advance through development, they typically require more capital-intensive programs that apply pressure to the Company's financial resources.

The Company does not have any commitments at December 31, 2023. It is estimated that the monthly operating costs are approximately $150,000-$175,000 per month; which include, board advisory fees, compensation, consulting, internal investor relations, patent maintenance costs and general and administrative. Professional fees are estimated to be $250,000 - $500,000 per annum. These estimates do not include the UBC collaborative agreement funding and the estimated costs of the clinical trial for SepsetER.

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

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 value of the Company's financial assets and liabilities approximates the carrying amount.

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 classified as level 1 – quoted prices in active markets include cash.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements as at December 31, 2023.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

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

	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

Consulting fees
Included in consulting fees for the year ended December 31, 2023 is $120,000 for the services of the Company's Chief Operating Officer, Murphy Enterprises Inc. (Timothy Murphy) and $90,000 for the services of the Chief Financial Officer, J.M. Tucker Professional Corporation (Jacqueline M. Tucker).

Directors fees
Included in directors fees for the year ended December 31, 2023 is $72,000 for the services of Dr. Richard Heinzl.

Management salaries
Included in management salaries for the year ended December 31, 2023 is $180,000 for the Company's Chief Executive Officer, Bob Hancock, $180,000 for the Company's Chief Business Development Officer, Fadia Saad and $73,500 for the Company's Chief Scientific Officer, Evan Haney.

Share-based compensation
Share-based compensation consisted of $167,958 (2022: $894,480) expensed for stock options and $922,175 (2022: $Nil) expensed for RSUs that vested during the year ended December 31, 2023.

Accounts payable and accrued liabilities
At December 31, 2023, the Company owed $245,000 to Robert Hancock for unpaid salaries, $6,000 to Dr. Richard Heinzl for unpaid salaries, $7,800 for accrued consulting services provided by J.M. Tucker Professional Corporation and $10,500 for consulting services provided by Murphy Enterprises Inc. These amounts are included in accounts payable and accrued liabilities.

CRITICAL ACCOUNTING ESTIMATES

All critical accounting estimates are fully disclosed in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2023.

SIGNIFICANT ACCOUNTING POLICIES

All significant accounting estimates are fully disclosed in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2023.

RISK FACTORS

The business of the Company is subject to risks and hazards, some of which are beyond the Company's control. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. The following is a summary of some risks and uncertainties that management believes to be material to the Company's business. Additional risk factors are included in the Filing Statement, which is available under the Company's SEDAR profile at www.sedar.com.

Dependence on the Performance of Investee Companies

The Company is, and will be, dependent on the operations, assets and financial health of the investee companies in which it makes investments. The Company's ability to meet its operating expenses in the long term will be largely dependent on the interest and other payments received from investee companies, which are expected to be the sole source of cash flow for the Company. In addition, if the financing position of an investee company declines such that it is unable to make interest payments to the Company, the Company's financial condition and cash flow will be adversely affected.

The Company has conducted, and will conduct, due diligence on each of its investee companies prior to entering into agreements with them. In addition, the Company plans to monitor investee company performance through

observer rights at board meetings of investee companies, negotiating rights to appoint one or more directors to the boards of investee companies, and receiving and reviewing regular financial reports from the investee companies. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the Company's due diligence or ongoing monitoring that may have an adverse effect on an investee company's business and, as a result, on the Company**.**

Financing Risks

The Company has no history of earnings or material revenue. In addition, the Company's business model may require it to make additional investments in investee companies, for which the Company would have to raise additional capital. While the Company may generate additional working capital through equity or debt offerings, or through the receipt of interest or other payments from investee companies, there is no assurance that such funds will be sufficient to facilitate the development of the Company's business as envisioned or, in the case of equity financings, that such funds will be available on terms acceptable to the Company or at all. If available, future equity financing may result in substantial dilution to the Company's shareholders.

Risks Facing Investee Companies

As previously noted, the Company's financial condition and results of operations will be affected by the performance of the companies in which it invests. Each investee company will also be subject to risks which will affect their respective financial condition. Given that, other than with respect to the Initial Investment, the Company does not currently know the exact nature of the businesses in which it may make investments, it is impossible to predict exactly what risks investee companies will face. Nonetheless, typical risks which investee companies might be expected to face include the following:

- Investee companies may need to raise capital through equity or debt financing. Failure to obtain such equity or debt, or the terms of such equity or debt that may be available, may impair the ability of investee companies to finance their future operations and capital needs. Flexibility to respond to changing business and economic conditions may therefore be limited.

- The success of investee companies may depend on the talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on an investee company.

- Investee companies may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, the financial performance and development of the businesses of the investee companies may be adversely affected.

- Damage to the reputation of investee companies' brands could negatively impact consumer opinion of those companies or their related products and services, which could have an adverse effect on their businesses.

- Investee companies may face intense competition, including competition from companies with greater financial and other resources, and more extensive development, manufacturing, marketing and other capabilities. There can be no assurance that investee companies will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.

- Investee companies may experience reduced revenues through the loss of a customer representing a high percentage of their revenues.

- Investee companies may experience reduced revenues due to an inability to meet regulatory requirements or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.

- Investee companies may rely on government or other subsidy programs for revenue or profit generation. Changes to, or elimination of, such programs may have an adverse effect on such companies.

- Investee companies may experience negative financial results based on foreign exchange losses.

Reliance on Key Personnel

The success of the Company is dependent on the abilities, experience, efforts and industry knowledge of its senior management and other key personnel. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Company. In addition, the growth plans of the Company may require additional personnel, increase demands on management, and produce risks in both productivity and retention levels. The Company may not be able to attract and retain additional qualified management and personnel as needed in the future. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

Risks associated with ABT, Sepset, and SafeCoat

The Company's financial condition and results of operations are affected by the performance of the companies in which it invests. Each investee company will also be subject to risks and uncertainties which will affect their respective financial conditions. While it is impossible to outline every risk or uncertainty that each of ABT, Sepset, and SafeCoat will face, management believes the typical risks which each of ABT, Sepset, and SafeCoat may face include the following:

a. **Delays and Difficulties with Clinical Trials** - Clinical trials for treatment candidates require identification and enrollment of a large number of volunteers or eligible patients. ABT, Sepset, or SafeCoat may not be able to enroll sufficient volunteers or eligible patients to complete clinical trials in a timely manner or at all. Patient enrollment is a function of many factors, including the following: design of the protocol, size of the patient population, eligibility criteria for the study in question, perceived risks and benefits of the drug under study, availability of competing therapies, efforts to facilitate timely enrollment in clinical trials, patient referral practices of physicians, and availability of clinical trial sites. If ABT, Sepset, or SafeCoat have difficulty enrolling sufficient volunteers or patients to conduct its clinical trials as planned, they may need to delay, forego or terminate ongoing clinical trials. This may have a material adverse effect on ABT, Sepset, or SafeCoat's financial condition or results of operations.

b. **Adverse Effects** – ABT, Sepset, or SafeCoat's potential product candidates are still in preclinical or clinical development and as such, they have a high risk of failure. If serious adverse or intolerable side effects are identified during the development of the product candidates, ABT, Sepset, or SafeCoat may need to abandon their development or limit development to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk benefit perspective. It is impossible to predict when or if any of ABT, Sepset, or SafeCoat's product candidates will prove effective or safe in humans or will receive regulatory approval. If serious adverse or intolerable side effects are identified post-approval, ABT, Sepset, or SafeCoat may need to recall its products and depending on the serious adverse event or intolerable side effects, ABT, Sepset, or SafeCoat may have to abandon the product completely and could be subject to substantial product liability claims. ABT, Sepset, or SafeCoat may be able to limit

sales to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective.

c. **Clinical Data** - The clinical effectiveness and safety of any of ABT, Sepset, or SafeCoat's developmental products is not yet supported by clinical data and the medical community has not yet developed a large body of peer-reviewed literature that supports the safety and efficacy of ABT, Sepset, or SafeCoat's potential products. If future studies call into question the safety or efficacy of ABT, Sepset, or SafeCoat's potential products, ABT, Sepset, or SafeCoat's business, financial condition, and results of operations could be adversely affected.

d. **Unproven Market** - The Company believes that the anticipated market for ABT, Sepset, or SafeCoat's potential products and technologies if successfully developed will continue to exist and expand. These assumptions may prove to be incorrect for a variety of reasons, including competition from other products and the degree of commercial viability of the potential product.

e. **Raw Materials** - Raw materials and supplies are generally available in quantities to meet ABT, Sepset or SafeCoat's needs. ABT, Sepset, or SafecCoat will be dependent on third-party manufacturers for the products that it markets. An inability to obtain raw materials or product supplies could have a material adverse impact on ABT, Sepset, or SafeCoat's business, financial condition and results of operations.

f. **Key Personnel** - Although ABT, Sepset, or SafeCoat are expected to have experienced senior management and personnel, ABT, Sepset, or SafeCoat will be substantially dependent upon the services of a few key technical personnel, particularly Dr. Robert E.W. Hancock, Dr. Fadia Saad and Dr. Evan Haney as well as certain other medical research professionals engaged for the successful operation of ABT, Sepset, or SafeCoat's businesses. Phase I of ABT, Sepset, or SafeCoat's research and development is planned to be completed by qualified professionals and is expected to concentrate on treatment of bacterial biofilm infections. The loss of the services of any of these personnel could have a material adverse effect on the business of ABT, Sepset, or SafeCoat. ABT, Sepset, or SafeCoat may not be able to attract and retain personnel on acceptable terms given the intense competition for such personnel among high technology enterprises, including biotechnology, and healthcare companies, universities and non-profit research institutions. If ABT, Sepset, or SafeCoat loses any of these persons, or is unable to attract and retain qualified personnel, the business, financial condition and results of operations may be materially and adversely affected.

g. **Commercialization of Products** – ABT, Sepset, or SafeCoat's ability to generate revenues and achieve profitability depends on ABT, Sepset, or SafeCoat's ability to successfully complete the development of its products, obtain market and regulatory approval and generate significant revenues. The future success of ABT, Sepset, or SafeCoat's business cannot be determined at this time, and the Company does not anticipate ABT, Sepset, or SafeCoat generating revenues from product sales for the foreseeable future. In addition, ABT, Sepset, or SafeCoat will face a number of challenges with respect to its future commercialization efforts, including, among others, that:

   i. ABT, Sepset, SafeCoat may not have adequate financial or other resources to complete the development of its various products or medical therapies, including two stages of clinical development that are necessary in order to commercialize such products or medical therapies;

   ii. ABT, Sepset, or SafeCoat's may not be able to manufacture its products in commercial quantities, at an adequate quality or at an acceptable cost;

iii. ABT, Sepset, or SafeCoat may never receive FDA or Health Canada approval for its intended products or medical therapies;

iv. ABT, Sepset, or SafeCoat may not be able to establish adequate sales, marketing and distribution channels;

v. healthcare professionals and patients may not accept ABT, Sepset, or SafeCoat's product candidates;

vi. technological breakthroughs in sepsis treatment and prevention may reduce the demand for the Sepset's product candidates; and

vii. changes in the market for sepsis treatment, new alliances between existing market participants and the entrance of new market participants may interfere with the Sepset's market penetration efforts.

h. **Proprietary Intellectual Property Rights** – ABT, Sepset, or SafeCoat's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent ABT, Sepset, or SafeCoat is able to do so, to protect any proprietary rights of ABT, Sepset, or SafeCoat, ABT, Sepset, or SafeCoat intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

i. issued patents, trademarks and registered copyrights may not provide ABT, Sepset, or SafeCoat with competitive advantages and ABT, Sepset, or SafeCoat's efforts to protect its current intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;

ii. another party may assert a blocking patent and ABT, Sepset, or SafeCoat would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; and,

iii. the expiration of patent or other intellectual property protections for any assets owned by ABT, Sepset, or SafeCoat could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on ABT, Sepset, or SafeCoat and its financial results will depend, among other things, upon the nature of the market and the position of ABT, Sepset, or SafeCoat's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

i. **Legal Proceedings** - From time to time, ABT, Sepset, or SafeCoat may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. It is expected that ABT, Sepset, or SafeCoat will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on ABT, Sepset, or SafeCoat's financial results.

j. **Competition** - An increase in other companies competing in the industry could limit the ability of ABT, Sepset, or SafeCoat's potential of expanding its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company will not be able to provide assurances that ABT, Sepset, or SafeCoat will be able to compete successfully against current and future competitors. Competitive pressures that the ABT, Sepset, or SafeCoat may face could have a material adverse effect on its business, operating results and financial condition.

If ABT, Sepset or SafeCoat are unable to meet any one or more of these challenges successfully, ABT, Sepset, or SafeCoat's ability to effectively commercialize its product candidates could be limited, which in turn could have a material adverse effect on the Company's business, financial condition and results of operations.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

As at December 31, 2023, the following securities of the Company were outstanding:

Common Shares – 74,184,087

Options – 6,013,034

RSUs – 1,769,016

Warrants – 6,978,930

As at the date of this MD&A, the following securities of the Company were outstanding:

Common Shares – 76,059,147

Options – 6,013,034

RSUs – 3,257

Warrants – 9,978,930

OTHER INFORMATION AND BOARD APPROVAL

This MD&A has been reviewed and approved by the Board of Directors of the Company.