



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six month periods ended September 30, 2022 and September 30, 2021

(expressed in Canadian dollars)

(UNAUDITED)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated interim financial statements for the six month period ended September 30, 2022

Management's Responsibility for Financial Information

The consolidated interim financial statements (the "Interim Financial Statements"), the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of Aquarius Surgical Technologies Inc. and have been approved by the Board of Directors.

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, include amounts which reflect management's best estimates and judgments based on current available information. Aquarius Surgical Technologies Inc. maintains systems of internal accounting and administrative controls in order to provide reasonable assurance that the Corporation's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the Interim Financial Statements and the accompanying management's discussion and analysis.

The Audit Committee reviews the Interim Financial Statements and the management's discussion and analysis of financial results and reports its findings to the Board of Directors for its consideration when approving the Financial Statements for issuance to the shareholders.

"N. Gary Van Nest"

N. Gary Van Nest
Chief Executive Office

November 18, 2022

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer



CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022

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Aquarius Surgical Technologies Inc.
Consolidated Interim Statements of Loss (Unaudited)
(Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	30-Sep-22	30-Sep-21	30-Sep-22	30-Sep-21
	\$	\$	\$	
Sales				
Equipment	-	62,859	64,424	62,859
Fiber sales	22,611	68,982	53,112	113,429
Other	862	13,993	10,322	19,740
	23,473	145,834	127,858	196,028
Cost of sales	13,814	76,033	67,184	99,396
Gross Margin	9,659	69,801	60,674	96,632
Expenses				
General and administrative (Note 12)	146,230	198,423	357,021	405,868
Interest and bank charges (Note 13)	51,615	50,490	96,913	103,463
Amortization (Notes 5)	832	12,456	1,665	25,050
	198,677	261,369	455,599	534,381
Net loss before other items	(189,018)	(191,569)	(394,925)	(437,750)
Other items:				
Interest income	2,360	3,374	5,839	6,901
Change in carrying value of investment (Note 7)	18,435	-	27,192	-
Net loss and comprehensive loss for the period	(168,223)	(188,195)	(361,894)	(430,849)
Loss per share, basic and diluted	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)
Weighted average number of shares outstanding, basic and diluted (Notes 8 and 14)	23,679,172	23,079,172	23,679,172	23,079,172

The accompanying Notes form an integral part of these interim consolidated financial statements

(See Note 2 - Going Concern, Note 15 - Commitments and Note 20 - Litigation)



Aquarius Surgical Technologies Inc.
Consolidated Interim Statements of Changes in Deficiency
(Expressed in Canadian dollars)
for the periods ended September 30, 2022 and September 30, 2021

	Issued Capital		Contributed		Total
	Common Shares	Amount	Surplus	Deficit	
		\$	\$	\$	\$
Balance March 31, 2021	23,079,172	19,835,907	9,303,859	(30,583,206)	(1,443,441)
Net loss for the period	-	-	-	(242,655)	(242,655)
Balance September 30, 2021	23,079,172	19,835,907	9,303,859	(30,825,861)	(1,686,096)
Balance March 31, 2022	23,679,172	19,874,907	9,303,859	(32,393,622)	(3,214,856)
Net loss for the period	-	-	-	(361,894)	(361,894)
Balance September 30, 2022	23,679,172	19,874,907	9,303,859	(32,755,516)	(3,576,750)

The accompanying Notes form an integral part of these interim consolidated financial statements
 (See Note 2 - Going Concern, Note 15 - Commitments and Note 20 - Litigation)



Consolidated Interim

Aquarius Surgical Technologies Inc.

Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in Canadian dollars)

Three Months Ended

Six Months Ended

30-Sep-22

30-Sep-21

30-Sep-22

30-Sep-21

Cash flows provided by (used in):

	\$	\$	\$	\$
Operating activities				
Net loss for the period	(168,223)	(188,194)	(361,894)	(430,849)
Adjustments for non-cash items:				
Amortization (Notes 5)	832	12,456	1,665	25,050
Change in carrying value of investment (Note 7)	(18,435)	-	(27,192)	-
Change in foreign exchange due to related party (Note 6(B))	34,750	14,160	51,084	6,838
Interest on related party advances	36,286	19,796	62,893	38,327
Interest on financing	10,501	13,150	20,981	23,025
Interest accretion (Note 6(B) and Note 9)	-	14,038	2,980	34,123
Net change in non-cash working capital items				
Accounts receivable	23,424	(62,947)	31,699	(31,882)
Inventory	252	3,877	495	(39,091)
Prepaid expenses and deposits	(47,423)	-	(31,046)	-
Due from former related party (Note 6 (A))	268,765	(3,375)	265,391	(6,748)
Accounts payable and accrued liabilities	68,984	118,040	179,419	317,909
	209,713	(58,999)	196,475	(63,299)
Financing activities				
Increase (decrease) in amounts due to related party (Note 6 (F))	(246,863)	106,000	(171,863)	158,000
Interest paid on convertible note	(6,104)	(5,937)	(12,042)	(11,875)
Increase in operating loan	20,000	-	20,000	-
Repayment of term loan	(27,414)	(27,414)	(54,828)	(54,828)
	(260,381)	72,649	(218,733)	91,297
Investment activities				
Purchase of equipment	-	(5,221)	-	(5,221)
	-	(5,221)	-	(5,221)
Increase (decrease) in cash during the period	(50,668)	8,429	(22,259)	22,778
Cash, beginning of period	186,600	160,322	158,190	145,973
Cash, end of period	135,932	168,751	135,932	168,751
Interest paid in cash	51,615	36,452	93,934	69,340
Non-cash transactions:				
Issuance common shares for services	-	-	-	-

The accompanying Notes form an integral part of these interim consolidated financial statements

(See Note 2 - Going Concern, Note 15 - Commitments and Note 20 - Litigation)

1. NATURE OF OPERATIONS

Aquarius Surgical Technologies Inc., 89 Scollard Street, Toronto, ON M5R 1G4 (the “Corporation” OR “ASTI”) was incorporated under the *Business Corporations Act* (Ontario) on December 12, 1986. The Corporation trades on the Canadian Securities Exchange (CSE) under the symbol ASTI.

The Corporation is currently generating revenue from sales and service operations of its subsidiary Surgical Lasers Inc. (“SLI”) which it acquired in March of 2017. The Corporation’s primary, though not exclusive, focus is the development, sale, distribution, and marketing of technologies for use in surgical and other environments where health of patients and customers can be enhanced. The Corporation aims to build sales and service by building on its existing base and introducing additional value added services and technologies through organic growth and acquisition.

SLI is an international distributor, service, and support organization providing integrated laser-based solutions across multiple medical disciplines. These disciplines include urology, gynecology, ophthalmology, thoracic, ENT, cardiovascular, and neurosurgery, many of which are now considered the standard of care for treatment. SLI’s focus has always been on efficacy, evidence-based research, proven technologies, and value. This approach allows the company to deliver practical solutions which not only enhances patient and customer care, but also introduces operational and financial benefits to its customer base.

2. GOING CONCERN

The consolidated interim financial statements (the “Interim Financial Statements”) for the Corporation have been prepared on a going concern basis, which assumes the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

During the years ended March 31, 2022 and March 31, 2021 the Corporation had operating revenues of \$337,662 and \$583,444, recorded losses of \$859,196 and \$1,810,414, respectively, and has not met sales targets to comply with its distribution agreements. For the years ended March 31, 2022 and March 31, 2021 the Corporation had negative cash flow from operations of \$108,843 and \$450,518, respectively. At March 31, 2022 and March 31, 2021 the Corporation had negative working capital of \$1,037,926 and \$354,163 respectively. Also, at March 31, 2022 and March 31, 2021, the Corporation had a shareholders’ deficiency of \$3,214,856 and \$2,394,660, respectively. In February, 2021, extensive fraudulent activity by certain individuals previously engaged in senior management positions was uncovered, leading to immediate removal of those persons. Management has concluded that the majority of the fraudulent activity has been accounted for by provisions made in the financial statements for the year ended March 31, 2021. Litigation has been commenced to seek recovery of losses. (See Note 20 – Litigation).

Since March 31, 2020, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. To the extent that COVID-19 has disrupted surgical procedures at medical facilities the Corporation’s ability to place lasers and sell fibers to these facilities has been curtailed. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.

There is material uncertainty that may be considered to cast significant doubt on the ability of the Corporation to continue as a going concern. The Corporation is dependent on the support of its creditors and lenders, the ability to obtain additional financing, maintaining its distribution rights and ultimately, the attainment of profitable operations. The Corporation’s distribution rights is dependent on achievement of certain annual targets agreed between the parties from time to time, or alternatively, continued support from the other party with respect to waiving targets.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss for the year and balance sheet classifications, such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Corporation and its subsidiaries.

The Interim Financial Statements for the period ended September 30, 2022, and the notes thereto present the Corporation's financial results of operations and financial position under IFRS as at and for the three and six month periods ended September 30, 2022 and September 30, 2021. The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Corporation adopted in its financial statements for the year ending March 31, 2022 based on current standards. The Interim Financial Statements do not include all the necessary annual disclosures in accordance with IFRS.

The policies set out in Note 3 were consistently applied to all the years presented unless otherwise mentioned.

The consolidated financial statements were approved by the board of directors for issuance on November 18, 2022.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, Surgical Lasers Inc., Scotiachemco Holdings Limited and Scotiachemco Inc. Inter-company transactions and balances have been eliminated.

(c) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies set out below.

(d) Accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses and the accompanying notes. Actual results could differ from these estimates under the circumstances.

The areas that management makes critical estimates, assumptions and judgments are the collectability of accounts receivable, valuation and determination of the useful life of assets, valuation of convertible debenture debt/equity, valuation of share capital warrants and stock options, fair value of long-term investments and recoverability of deferred tax assets.

(e) Financial Instruments

A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

The classification of the Corporation's financial assets and financial liabilities are summarized in the following table:

	IFRS 9	
	Classification	Measurement
Financial assets and liabilities		
Cash and deposits	Amortized cost	Amortized cost
Accounts receivable and deposits	Amortized cost	Amortized cost
Due from related party	Amortized cost	Amortized cost
Long-term investment	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost
Convertible note	Amortized cost	Amortized cost
Due to related party	Amortized cost	Amortized cost
Series "A" special shares	FVTPL	FVTPL

(f) Impairment of financial assets at amortized cost

The impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL"). Impairment provisions on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the provision decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. The Corporation's accounts receivable, deposits and due from related party are included in this category. The Corporation applies the simplified approach to measuring ECL which uses a lifetime expected impairment. To measure the ECL, impairment provisions on accounts receivable are based on credit risk characteristics and days past due. Accounts receivables are written off when there is no reasonable expectation of recovery. An indicator that there is no reasonable expectation of recovery is the failure of a debtor to engage in a repayment plan with the Corporation.

(g) Revenue from contracts with customers

The Corporation employs a five-step process for determining the performance obligations within customer sales contract such that revenue is recognized when each specific performance obligation is satisfied and as or when the transfer of control of goods or services to the customer has occurred. Revenue is recognized to reflect the consideration the Corporation is entitled to receive in exchange for the goods or services included under each specific performance obligation.

The Corporation's primary sources of revenue under its contracts with customers are the sale of medical devices and fibre-optic delivery devices. The performance obligation regarding the Corporation's contracts with its customers and the timing of revenue recognition on those obligations is upon shipment and revenue is recognized at a point in time. Payment is due on terms established with the customer and can range from date of delivery to 60 days. The Corporation is able to allocate the transaction price to all of its performance obligations using the prices of the promised goods as they are quoted and invoiced to customers on a stand-alone basis. The Corporation also provides a 1 year manufacturer's warranty on sales and therefore the Corporation makes no warranty provision

(h) Cash and deposits

Cash consists of deposits with major financial institutions

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. The cost is determined based on a first-in, first-out basis and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition which include the purchase price, import duties, non-recoverable taxes, transportation, handling and other costs directly related to the purchase of the inventory.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Equipment

Equipment placed in hospitals and clinics for evaluation purposes are classified as demo equipment. Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Amortization is provided on equipment over the estimated useful life using the following rates and methods:

Computer equipment	- 5 years straight line
Furniture and equipment	- 3 years straight line
Demonstration equipment	- 10 years straight line

Depreciation methods, useful lives and residual values are reviewed each period and adjusted if appropriate.

(k) Convertible note

Loans and borrowings are initially recognized at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method. The component of the convertible note that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs.

On the issuance of the convertible note the fair value of the liability is determined and this amount is carried as a liability on the amortized cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognized as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognized and included in shareholders equity as part of contributed surplus, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. The corresponding interest on the convertible note is expensed to profit and loss.

(l) Income taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted rates and laws that are expected to be in effect in the periods that the temporary differences are expected to be realized or settled. The effect of changes in rates is included in the statement of comprehensive income in the period which includes the substantive enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Stock based payments

Stock based payment awards that are direct awards of stock to employees or directors, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by issuing equity instruments, are valued using the Black-Scholes option pricing model. The cost is recognized on a straight-line graded method over the vesting period adjusted for expected forfeitures as an employee or director expense with a corresponding increase to equity in contributed surplus. Consideration paid by employees or directors on the exercise of stock options is recorded as share capital.

Stock based payments with parties other than employees, assumes a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. In certain circumstances, the Corporation rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received. The Corporation then measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Unit private placements

For private placements of units consisting of common shares and warrants, the Corporation uses the Black-Scholes option-pricing model in determining the fair value of warrants. The common shares are allocated the residual value.

(o) Foreign currency

Foreign currency transactions are translated into Canadian dollars at the rate prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the end of the period. Translation gains and losses are recorded in the statement income.

(p) Provisions

A provision is recognized in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Loss per share

Basic earnings (loss) per share amounts are calculated by dividing net income (loss) for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

(r) Impairment of non-financial assets

Equipment is tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value (less costs of disposal) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs of disposal. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Impairment losses may be reversed, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

(s) Fair value measurement

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Long term investments are considered Level 3 in the hierarchy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Business combinations

At the time of acquisition, the Corporation determines whether what is acquired meets the definition of business, in which case if it does, the transaction is considered a business combination, and otherwise it is recorded as an asset acquisition.

For an asset acquisition, the net identifiable assets acquired and liabilities assumed are measured at the fair value of the consideration paid, based on their relative fair values at the acquisition date. Acquisition related costs are included in the consideration paid and capitalized. No goodwill is recorded and no deferred tax asset or liability arising from the assets acquired or liabilities assumed are recognized upon the acquisition of the assets.

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in income. If the contingent consideration is classified as equity, it shall not be remeasured. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the fair value of the net identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities.

The measurement period is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year. The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

(u) Accounting for leases

The Corporation has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

A lease obligation is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

The Corporation recognizes a right-of-use asset and a lease obligation under IFRS 16. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Accounting for leases (continued)

Lease obligation is measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease obligation is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(v) Future Accounting Changes

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Management is evaluating the impact on the consolidated financial statements from the adoption of this amendment.

Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

IAS 37 Provisions, Contingent Liabilities and Contingent Assets has been revised to incorporate amendments issued by the IASB. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g., direct labour and materials), and an allocation of other costs that relate directly to fulfilling contracts (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract). The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Management is evaluating the impact on the consolidated financial statements from the adoption of this amendment

4. INVENTORIES

Inventories consists of finished products held for sale.

Detail	30-Sep-22	30-Sep-21
	\$	\$
Balance beginning of year	44,539	21,097
Purchases	66,689	138,487
Cost of sales	(67,184)	(99,396)
Balance end of period	44,044	60,187

5. EQUIPMENT

	Computer equipment \$	Demonstration equipment \$	Office furniture and equipment \$	Total \$
September 30, 2021				
Cost				
Balance, beginning of period	12,178	431,298	20,784	464,260
Additions	-	-	5,221	5,221
Balance, end of period	12,178	431,298	26,005	469,481
Accumulated depreciation				
Balance, beginning of period	11,851	130,190	17,603	159,644
Depreciation for period	327	23,928	795	25,050
Balance, end of period	12,178	154,118	18,398	184,694
Net book value	-	277,180	7,607	284,787
September 30, 2022				
Cost				
Balance, beginning of period	3,959	-	26,005	29,964
Additions	-	-	-	-
Balance, end of period	3,959	-	26,005	29,964
Accumulated depreciation				
Balance, beginning of period	3,959	-	20,499	24,458
Depreciation for period	-	-	1,665	1,665
Balance, end of period	3,959	-	22,165	26,124
Net book value	-	-	3,841	3,841

6. DUE FROM AND TO RELATED PARTY

(A) Due from former related party

The now former President, Chief Technology Officer and Director of the Corporation, and Cast Laser Inc., (“Cast”) a corporation owned by that director, were indebted to the Corporation as at September 30, 2022, in the amount of \$ nil (2021 - \$258,644).

As of July 30, 2019, each of Gordon Willox, Cast. and Forest Lane Holdings Inc. (“FLH”), a Company controlled by David J. Hennigar, Chairman of the Corporation, delivered a joint and several promissory note to secure the principal amount of \$224,907 together with interest at 6% per year accruing from April 1, 2019. Under this promissory note interest accruing on the outstanding principal from time to time is payable at the end of each month, and the principal is payable on demand. (See also Note 21 – Litigation). On August 26, 2022 FLH honoured its commitment for this obligation by repaying the note and outstanding interest by way of a reduction in the amounts due to related parties (Note 6 (B)).

The following table details the changes in the amount due from a former related party:

	30-Sep-22 \$	30-Sep-21 \$
Balance beginning of year	265,391	251,896
Interest during the period	5,472	6,748
Repayment from amounts due to related parties (Note 6(B))	(270,863)	-
Balance end of period	-	258,644

6. DUE FROM AND TO RELATED PARTY (continued)

(B) Due to related party

FLH, owns directly and indirectly 8,712,804 shares (36.8%) (2021 – 37.6%) of the Corporation. FLH has provided working capital funding to the Corporation for a number of years.

The following table details the changes in the amount due to related party:

	30-Sep-22	30-Sep-21
	\$	\$
Balance beginning of year	2,463,026	2,123,383
Advances during period	99,000	158,000
Interest during period	62,893	38,327
Repayment amount due from related party (Note 6(A))	(270,863)	-
Change in foreign currency translation	51,084	6,838
Face value of loan	2,405,140	2,326,548
Valuation adjustment	-	(588,930)
Imputed interest	-	588,930
Balance end of period	2,405,140	2,326,548

Effective January 14, 2020, the Corporation entered into an Agreement with FLH in relation to the loan due to FLH. Under that Agreement, the terms of the FLH Loan, which was previously non-interest-bearing and had no set terms for repayment, were amended such that effective April 1, 2020, (i) it will be subject to interest at CIBC Prime Rate plus 1%, payable quarterly on March 31, June 30, September 30 and December 31 in each year, (ii) it may be called for redemption by notice in writing expiring on a maturity date that is not less than fifteen months following the date of the notice, except in the case of a “trigger event” happening, and (iii) it may be repaid by the corporation, in whole or in part, at any time without notice or penalty. A “trigger event” includes any act or incident of insolvency of either the Corporation or Surgical Lasers Inc. (“SLI”), the disposition of all or substantially all of the assets of either the Corporation or SLI, or the acquisition of more than 50% of the issued and outstanding shares of the Corporation by any one shareholder or a group of shareholders acting in concert.

As at March 31, 2020 as a result as a result of the modifications of the terms of the FLH loan, a change in fair value was credited to contributed surplus and the imputed interest of \$189,238 was recorded as a finance cost periodically until the deemed maturity on April 15, 2021.

(C) Operating loan

By virtue of common directors Salumatics Inc. “Salumatics” is deemed to be a related party to ASTI and in November 2021 FLH acquired a 10% interest in Salumatics. In addition to management services Salumatics provided an operating loan to SLI to fund the purchase of inventory and for general working capital purposes. The loan bears interest at 4% per annum and has no fixed terms of repayment.

Detail	30-Sep-22	30-Sep-21
	\$	\$
Balance beginning of year	156,488	150,000
Interest during period	3,074	3,496
Advances (repayments) during period	20,000	-
Balance end of period	179,562	153,496

6. DUE FROM AND TO RELATED PARTY (continued)

(C) Operating loan (continued)

During the period Salumatics invoiced SLI for the following operating expenses:

Item	30-Sep-22	30-Sep-21
Management	42,000	85,500
Accounting	46,500	54,250
Operations - initial transition	-	48,526
Rent and storage	6,122	6,681
Software and other expenses	4,104	35,884
Total for period	98,725	230,841

Included in account payable is an amount of \$647,145 owing to Salumatics as at September 30, 2022 (2021 - \$426,095).

The compensation paid to the directors and key management of the Corporation in the period ended September 30, 2021 was \$42,000 (2021 - \$42,000) in management fees and benefits. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, including any directors. Included in accounts payable and accrued liabilities is \$229,390 (2021 - \$134,470) payable to key management.

7. LONG TERM INVESTMENT

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland, a private company focused on the development and production of ethanol and other fuels and chemicals from biomass. Woodland recently completed a placement of common shares to unrelated third parties at US\$2 per share. The Corporation has increased the carrying value of the investment to \$2.74 per share and recognized an increase in the value of the investment.

8. SHARE CAPITAL

Share capital consists of the following:

- An unlimited number of special shares, issuable in series; and
- An unlimited number of common shares.

For the year ended March 31, 2022 the Corporation issued a total of 600,000 common shares at \$0.065 per share as compensation for services.

SHARE CAPITAL	Common	
	Shares	Amount
Balance March 31, 2021 and September 30, 2021	23,079,172	19,835,907
Balance March 31, 2022 and September 30, 2022	23,679,172	19,874,907

All previously issued warrants have expired unexercised and there are no warrants outstanding as at September 30, 2022.

WARRANTS	Warrants-December 26, 2021		Warrants - May 29, 2022		Warrants - June 6, 2022	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance March 31, 2021 and September 30, 2021	814,233	195,000	906,707	183,000	10,000	2,000
Balance March 31, 2022	-	-	906,707	183,000	10,000	2,000
Expired - unexercised	-	-	(906,707)	(183,000)	(10,000)	(2,000)
Balance September 30, 2022	-	-	-	-	-	-

9. STOCK BASED COMPENSATION PROGRAM

The Board of Directors has established a stock option plan (“the Plan”) under which options to purchase common shares are granted to directors, officers, consultants and key employees of the Corporation. The Plan was approved by the shareholders of the Corporations at the Annual General and Special Shareholders Meeting held on November 21, 2016. Options to acquire common shares are granted at option prices, which shall be not less than the fair market value of the shares at the time the option is granted. Fair market value shall be deemed to be the average between the highest and lowest prices at which the common shares are traded on the day the option is granted and if not so traded, the average between the closing bid and asked prices thereof as reported for the day on which the option is granted. Options expire between one and ten years from the date of the grant and will generally vest immediately.

The Corporation has reserved 4,000,000 common shares (2021 – 3,000,000) pursuant to the Plan. There are 250,000 options to acquire common shares outstanding under the plan as at September 30, 2022 (September 30, 2021 – 1,310,000). Any unexercised options that expire or are forfeited become available again for issuance under the Plan.

Options issued and outstanding as at September 30, 2022 and September 30, 2021:

	Weighted Average Exercise price	Issued
	\$	
Balance March 31, 2021	0.91	1,710,000
Less: Cancelled	1.00	(400,000)
Balance September 30, 2021	0.88	1,310,000
Balance March 31, 2022	0.44	260,000
Less: Expired	1.00	(10,000)
Balance September 30, 2022	0.40	250,000

The Corporation granted 250,000 options in the year ended March 31, 2021 at an exercise price of \$0.40 per share. The options were valued using Black Scholes method with an expected term of 2.8 years, an interest rate of 0.73% and volatility of 90%. There were no options granted in the current period.

10. LONG TERM DEBT

Convertible Note

The \$250,000 unsecured convertible note bearing interest at 9.5%, which matured on April 15, 2022 has been renewed for a further 2 year period under the same terms and conditions and now matures April 15, 2024. Interest is payable quarterly on January 15, April 15, July 15 and October 15. The note is convertible into common shares at \$0.35 per share at any time up to the date of maturity.

Term Loan

Effective June 3, 2020, the Corporation entered into a Credit Facility Agreement (the “Credit Facility”) with a chartered bank (the “Bank”). Under the terms of the Credit Facility, the Corporation was granted a non-revolving term facility of \$500,000. The Credit Facility, together with all other obligations of the Corporation to the Bank, is secured by (i) a General Security Agreement over all personal property of the Corporation, ranking first in priority to all other obligations of the Corporation, (ii) a personal guarantee and postponement of claims in the amount of \$250,000 granted by a director of the Corporation, also by (iii) security over a cash collateral deposit by the Corporation in the form of a GIC in the amount of \$100,000 and a Guarantee in the amount of \$250,000 (the “EDC Guarantee”) issued by Export Development Canada. The Terms of the Credit Facility also include financial covenants by the Corporation, including in particular the obligation to maintain Debt Service Coverage at the end of each financial year of not less than 1.25:1. The Credit Facility bears interest at 3.69% and is repayable in blended monthly payments of \$9,138 commencing July 2020. The EDC Guarantee fee, calculated at 3.15% on the guaranteed balance outstanding, is payable quarterly in advance commencing on the May 22, 2020 acceptance date. The Corporations paid a finders fee to an unrelated party. As at March 31, 2022, the Corporation is in default of the terms of its credit facility and at this time the Corporation cannot determine what action, if any, the lender may take (see Notes 2 and 18). Due to the technical default the balance of the loan has been reclassified as a short term liability pending review by the bank.

10. LONG TERM DEBT (continued)

CEBA Loan

The Government of Canada provided interest free loans to qualified businesses through the Canada Emergency Business Account (“CEBA”). The loan is interest free and if repaid before December 31, 2023 qualifies for forgiveness up to \$20,000. Loans not paid in full by December 31, 2023 will automatically renew for a further 3 year period and interest will commence at 5% per annum. The eligibility of the program may be subject to audit and verification at which time the balance may become repayable and has been classified as a current liability.

LONG TERM DEBT	Convertible Note	Term Loan	CEBA Loan	Total
	\$	\$	\$	\$
Balance March 31, 2021	250,000	430,981	40,000	720,981
Interest during period	11,875	7,654	-	19,529
Repayments during period	(11,875)	(54,828)	-	(66,703)
Face value of loans	250,000	383,807	40,000	673,807
Unamortized valuation adjustment	(34,146)	-	-	(34,146)
Current portion long term debt	(215,854)	(97,130)	-	(312,984)
Long term September 30, 2021	-	286,677	40,000	326,677
Balance March 31, 2022	250,000	335,643	40,000	625,643
Interest during period	12,042	5,865	-	17,907
Repayments during period	(12,042)	(54,828)	-	(66,870)
Face value of loans	250,000	286,680	40,000	576,680
Current portion long term debt	-	(286,680)	(40,000)	(326,680)
Long term September 30, 2022	250,000	-	-	250,000

11. INCOME TAX

The Corporation and its subsidiaries have non-capital losses of \$13.1 million expiring between 2026 and 2042 as indicated in the following table:

Non-capital losses	\$		\$
2026	300,680	2035	1,178,880
2027	183,097	2036	187,084
2028	327,325	2037	511,177
2029	409,661	2038	1,782,495
2030	348,264	2039	1,611,496
2031	217,199	2040	1,490,476
2032	323,394	2041	1,170,346
2033	975,607	2042	1,358,245
2034	735,728		-
			<u>13,111,154</u>

12. EXPENSES BY NATURE

Expense item	Three Months Ended		Six Months Ended	
	30-Sep-22	30-Sep-21	30-Sep-22	30-Sep-21
Selling, general and admin expenses	56,589	65,771	122,527	115,902
Professional fees	24,318	38,363	60,823	69,363
Listing expenses	6,823	10,539	10,690	13,853
Consulting fees	58,500	83,750	162,981	206,750
General and administrative	146,230	198,423	357,021	405,868

13. INTEREST AND BANK CHARGES

Detail	Six Months Ended	
	30-Sep-22	30-Sep-21
	\$	\$
Convertible note interest (Note 10 and Note 21)	12,042	11,875
Term loan interest (Note 10)	5,865	7,654
Term loan guarantee fees (Note 10)	2,620	3,250
Related party interest (Note 6(B))	62,893	38,327
Operating loan interest (Note 6(C))	3,074	3,496
Accretion convertible note (Note 10)	2,980	26,508
Accretion related party loans (Note 6(B))	-	7,615
Bank charges, accrued interest and fees	7,440	4,735
	96,913	103,463

14. LOSS PER SHARE

The earnings per share is calculated based upon the weighted average number of common shares outstanding during the period of 23,679,172 (September 30, 2021 – 23,079,172). As at September 30, 2022, the Corporation has nil outstanding warrants (September 30, 2021 - 1,730,940) and 250,000 outstanding stock options (September 30, 2021 – 1,310,000). The dilution created by warrants and options and the Corporation's commitment to issue shares has not been reflected in the per share amounts as the effect would be anti-dilutive.

15. COMMITMENTS

Effective July 28, 2020 the Corporation was committed to a lease agreement related to the Corporation's premises, commencing on August 1, 2020, and terminating on July 31, 2021. Under the terms of this lease, the Corporation was required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum lease payments.

That lease is now terminated and the Corporation is maintaining an office on a monthly basis as part of a management contract with Salumatics Inc.

16. FINANCIAL INSTRUMENTS

Fair Values

The estimated fair values of cash, accounts receivables, accounts payable, due from related parties and accrued liabilities note approximate their carrying values due to the relatively short-term nature of the instruments.

The fair value of the due to related party approximates the carrying value as the balance bears interest at a market interest rate. There were no Special Series A share issued or outstanding at the end of the current or prior year. The convertible note has been recorded at the discounted value after allocating the attributed value of the conversion feature. The long-term investment has been recorded at current market value and is Level 2 in the fair value hierarchy.

During the years ended March 31, 2022 and March 31, 2021, there was no transfer of financial assets between the three levels of the fair value hierarchy.

17. FINANCIAL RISKS

The main risks the Corporation's financial instruments are exposed to are credit risk, foreign currency risk, liquidity risk and market risk.

Credit Risk

The Corporation's credit risk is primarily attributable to its accounts receivable and due from related party. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts, estimated by the Corporation's management based on prior experience and their assessment of the current economic environment.

The Corporation establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures. As at September 30, 2022, all receivables which are 60 days past the due date and are deemed uncollectible have been recorded in the allowance for doubtful accounts. The total allowance for bad debts at September 30, 2022 is \$ nil (2021 - \$24,735).

Accounts Receivable aging	30-Sep-22	30-Sep-21
	\$	\$
30 days or less	35,562	128,259
31 - 60 days	1,563	12,492
61 - 90 days	3,948	2,313
Over 90 days	14,318	117,744
	55,391	260,808
Less Provision	-	24,735
Net receivable	55,391	236,073

Liquidity Risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. To the extent that the Corporation does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Corporation manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional necessary liquidity required. The payment of accounts payable and accrued liabilities are based upon contractual terms as arranged with suppliers. Effective April 1, 2020 the amount due to related party bears interest at CIBC Prime + 1% and the amount is callable upon 15 months written notice. The Corporation also manages liquidity risk on the basis of expected maturity dates. The following table analyzes financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

Liquidity risk table	Debt	Account payable and accrued liabilities	Total
	\$	\$	\$
Less than 1 year	506,242	1,047,079	1,553,321
1 - 5 year	2,655,140	-	2,655,140
More than 5 years	-	-	-
Balance as at September 30, 2022	3,161,381	1,047,079	4,208,461

Debt Service Coverage

The Terms of the Credit Facility include financial covenants by the Corporation, including the obligation to maintain Debt Service Coverage, defined as the ratio of EBITDA to the total of Interest Expense and scheduled principal payments in respect of Funded Debt, at the end of each financial year of not less than 1.25:1. As at March 31, 2022, the Corporation is in default of the terms of its credit facility and at this time the Corporation cannot determine what action, if any, the lender may take (see Note 2).

17. FINANCIAL RISKS (continued)

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Corporation. As indicated in Note 7, the Corporation has an investment in a company focused on the development and production of ethanol and other fuels and chemicals from biomass. The fair value of this investment is subject to future financing to further develop the planned facility and the prices of the ethanol and wood. The Corporation has determined that it is not exposed significantly to any other market risk

Interest Rate Risk

The convertible note (Note 11) bears interest at 9.5%, the term loan (Note 11) bears interest at 3.69%, the amount due from related parties (Note 6(A) bears interest at 6% per annum. The amount due to related parties (Note 6(B)) and 6(C)) bears interest at CIBC Prime +1% and 4% per annum. The Corporation is subject to interest rate price risk on the amount due to related parties resulting from market fluctuations in interest rates. A 1% change in interest rates would change interest expenses by \$25,000 per year.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At the period end the following assets and liabilities originate in US. dollars and Euros and are subject to fluctuations:

Currency Risk Table	30-Sep-22	30-Sep-21	30-Sep-22	30-Sep-21
	US\$	US\$	€	€
Cash	21,583	45,654	-	-
Accounts receivable	26,955	166,245	-	-
Inventory deposits	-	-	4,395	-
Accounts payable	(5,227)	(12,216)	(1,015)	(3,325)
Credit cards	-	(21,704)	-	-
Related party payable	(429,383)	(411,616)	-	-
	(386,073)	(233,637)	3,380	(3,325)

A 5% fluctuation in the US and Euro exchange rates vs the Canadian dollar could create a net loss or gain of \$18,300 in the statement of operations.

18. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its loans payable, amount due to related party, share capital, contributed surplus and deficit. Its objectives when managing capital are to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders.

Management of Capital	30-Sep-22	30-Sep-21
	\$	\$
Operating loan	179,562	153,496
Convertible note	250,000	250,000
Long term debt	326,680	389,661
Amount due to related party	2,405,140	2,326,548
Share capital	19,874,907	19,835,907
Contributed surplus	9,303,859	9,303,859
Accumulated other comprehensive income	-	-
Total Capital	(415,369)	294,197

18. MANAGEMENT OF CAPITAL (continued)

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors and subject to all relevant regulatory and other consents and approvals, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Corporation is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Corporation's overall strategy with respect to management of capital remains unchanged from the year ended March 31, 2022.

19. SEGMENTED INFORMATION

Management has determined that during the periods covered by these financial statements, the Corporation carried on business in one operating segment only. All capital assets, except for demonstration equipment, were located in Canada. Sales other than to Canadian customers for the period ended September 30, 2022 were export sales to the United States of \$127,858 (September 30, 2021 - \$196,028).

20. LITIGATION

On July 16, 2021, following a forensic investigation and as anticipated in Press Releases issued in February and March, 2021, litigation was commenced by the Corporation's principal operating subsidiary, Surgical Lasers Inc. ("SLI"), in the Superior Court of Ontario against former consultants/employees Gordon Willox and Christopher Schmid, their related "consultant" corporations, CAST Laser, Inc. and 1380511 Ontario Inc., their corporations used to fraudulently divert and misappropriate corporate assets, Surgical Lasers Solutions Corp. (Ontario), Surgical Lasers Solutions Corp. (Delaware), Surgical Laser Solutions Inc. and Clarity Medical Technologies Inc., and former consultants/employees Michael Szymanski and Sherry Geramikhosh. In that Statement of Claim, SLI claims General Damages and Punitive Damages of \$6 million for breach of contract, fraud and theft, Specific Damages of US\$220,587 and C\$29,774 in respect of misappropriated assets and cash that have so far been specifically identified, and recovery of \$224,907 plus interest at 6% per year calculated from April 1, 2019 against Willox and CAST Laser, Inc. The Statement of Claim also seeks orders for an Accounting of misappropriated corporate assets, corporate cash and corporate opportunities and recovery of any amounts found due as well as appropriate injunctive and other consequential relief. The Defendants are defending the claim by denying all allegations, and Willox and Schmid have sought to establish a counterclaim against SLI, which has been denied by SLI. The lawsuit is currently in the Discovery process. Litigation is, by its nature, of uncertain outcome, and recovery of any amount that may be ordered by a Judgement is dependent on the resources available to the defendants to meet any obligations.