



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended June 30, 2023 and June 30, 2022

(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 three-month period ended June 30, 2023

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.

"Michael Machika"

Michael Machika
Interim Chief Executive Office

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

August 29, 2023



CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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Aquarius Surgical Technologies Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at	30-Jun-23	31-Mar-23
ASSETS		\$	\$
Current Assets			
Cash and cash equivalent		117,801	122,016
Accounts receivable (Note 17)		71,052	76,239
Inventories (Note 4)		28,039	43,709
Prepaid expenses and deposits		26,526	29,603
		243,418	271,567
Long-term investment (Note 7)		297,296	303,875
Equipment and right of use asset (Note 5)		101,540	104,702
		642,254	680,144
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable and accrued liabilities		1,069,331	1,017,660
Operating loan (Note 6(C))		206,589	194,710
Current portion lease liability (Note 10)		23,796	25,074
Current portion long term debt (Note 10)		501,438	276,726
		1,801,154	1,514,170
Due to related party (Note 6 (B))		2,801,128	2,683,802
Lease liability (Note 10)		73,824	80,068
Long term debt (Note 10)		-	250,000
		2,874,952	3,013,870
		4,676,106	4,528,040
Shareholders' Deficiency			
Common Shares (Note 8)		19,953,307	19,953,307
Contributed surplus		9,315,859	9,315,859
Deficit		(33,303,018)	(33,117,062)
		(4,033,852)	(3,847,896)
		642,254	680,144

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



Aquarius Surgical Technologies Inc.

Consolidated Interim Statements of Loss (Unaudited)

(Expressed in Canadian dollars)

Three Months Ended

	30-Jun-23	30-Jun-22
	\$	\$
Sales		
Equipment	-	64,424
Fiber sales	51,709	30,501
Other	1,041	9,460
	52,750	104,385
Cost of sales	23,485	53,370
	29,265	51,015
Expenses		
General and administrative (Note 12)	129,072	210,792
Interest and bank charges (Note 13)	70,488	45,298
Amortization (Note 5)	7,519	833
	207,079	256,923
Net loss before other items	(177,814)	(205,908)
Other items:		
Interest income	412	3,479
Change in fair value of investment (Note 7)	(6,579)	8,757
Net loss and comprehensive loss before taxes	(183,981)	(193,672)
Income taxes (Note 11)	1,975	-
Net loss and comprehensive loss for period	(185,956)	(193,672)
Loss per share, basic and diluted	(\$0.01)	(\$0.01)
Weighted average number of shares outstanding, basic and diluted (Notes 8 and 14)	27,599,172	23,679,172

The accompanying Notes form an integral part of these 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 3 months ended June 30, 2023 and June 30, 2022

	Issued Capital		Contributed		Total
	Common Shares	Amount	Surplus	Deficit	
		\$	\$	\$	\$
Balance March 31, 2022	23,679,172	19,874,907	9,303,859	(32,393,622)	(3,214,856)
Net loss for the period	-	-	-	(193,672)	(193,672)
Balance June 30, 2022	23,679,172	19,874,907	9,303,859	(32,587,294)	(3,408,528)
Balance March 31, 2023	27,599,172	19,953,307	9,315,859	(33,117,062)	(3,847,896)
Net loss for the period	-	-	-	(183,981)	(183,981)
Balance June 30, 2023	27,599,172	19,953,307	9,315,859	(33,301,043)	(4,031,877)

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



Aquarius Surgical Technologies Inc.
Consolidated Interim Statements of Cash Flows (unaudited)
 (Expressed in Canadian dollars)
Three Months Ended

	30-Jun-23	30-Jun-22
Cash flows provided by (used in):		
	\$	\$
Operating activities		
Net loss for the period	(185,956)	(193,672)
Adjustments for non-cash items:		
Amortization (Notes 5)	7,519	833
Change in fair value of investment (Note 7)	6,579	(8,757)
Foreign exchange due to related party	(13,042)	16,334
Interest on related party advances	52,368	26,606
Interest on financing	13,099	10,481
Interest accretion (Note 6(B) and Note 10)	-	2,980
Net change in non-cash working capital items		
Accounts receivable	5,187	8,274
Inventory	15,670	244
Prepaid expenses and deposits	3,077	16,377
Due from former related party (Note 6 (A))	-	(3,374)
Proceeds from operating loan	10,000	-
Accounts payable and accrued liabilities	51,674	110,436
	(33,825)	(13,238)
Financing activities		
Proceed from due to related party (Note 6 (B))	78,000	75,000
Interest paid on convertible note	(5,938)	(5,938)
Repayment lease liability	(10,680)	-
Repayment of term loan	(27,414)	(27,414)
	33,968	41,648
Investing activities		
Purchase of equipment	(4,358)	-
	(4,358)	-
(Decrease) increase in cash during the period	(4,215)	28,410
Cash and cash equivalent, beginning of period	122,016	158,190
Cash and cash equivalent, end of period	117,801	186,600
Interest paid in cash	18,121	18,692

*The accompanying Notes form an integral part of these 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 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, 2023 and March 31, 2022 the Corporation had operating revenues of \$203,733 and \$327,662, recorded losses of \$723,440 and \$859,196, respectively, and has not met sales targets to comply with its distribution agreements. For the years ended March 31, 2023 and March 31, 2022 the Corporation had cash flow from operations of \$77,046 and negative cash flow of \$112,156, respectively. At March 31, 2023 and March 31, 2022 the Corporation had negative working capital of \$1,242,603 and \$1,037,926 respectively. Also, at March 31, 2023 and March 31, 2022, the Corporation had a shareholders’ deficiency of \$3,847,896 and \$3,214,856, 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).

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 interim financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss for the year and consolidated statements of financial position 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 June 30, 2023, and the notes thereto present the Corporation's financial results of operations and financial position under IFRS as at and for the three month periods ended June 30, 2023 and June 30, 2022. 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, 2023 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.

(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 the consolidated 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:

Financial assets and liabilities	IFRS 9	
	Classification	Measurement
Cash and cash equivalent	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 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 equivalent

Cash and cash equivalent include cash held with banks and short-term deposits with an original maturity of three months or less.

(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
Right of use asset	- Term of lease

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 consolidated statements 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 carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is presented in shareholders' equity as equity component of convertible debenture. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

(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 consolidated statements of financial position 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 consolidated statements of comprehensive loss 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 consolidated statements of comprehensive loss.

(p) Provisions

A provision is recognized in the consolidated statements 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 amortization) 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) Accounting for leases

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Corporation recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and building 3 – 10 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term. The Corporation recognised rent expense from low-value leases of \$24,645 for the year ended March 31, 2023.

(u) Future accounting pronouncements

Standards and amendments to existing standards effective March 1, 2022:

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on March 1, 2022, that have a material effect on the consolidated financial statements of the Corporation.

New standards, amendments and interpretations effective after March 1, 2022 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after March 1, 2022 and have not been early adopted in preparing these consolidated financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Corporation.

4. INVENTORIES

Inventories consists of finished products held for sale.

Detail	30-Jun-23	30-Jun-22
	\$	\$
Balance beginning of year	43,709	44,539
Purchases	7,815	53,126
Cost of sales	(23,485)	(53,370)
Balance end of period	28,039	44,296

5. EQUIPMENT

	Computer equipment \$	Right of Use Asset \$	Office furniture and equipment \$	Total \$
June 30, 2022				
Cost				
Balance, beginning of year	3,959	-	26,005	29,964
Additions	-	-	-	-
Balance, end of period	3,959	-	26,005	29,964
Accumulated depreciation				
Balance, beginning of year	3,959	-	20,499	24,458
Depreciation for period	-	-	833	833
Balance, end of period	3,959	-	21,332	25,291
Net book value	-	-	4,673	4,673
June 30, 2023				
Cost				
Balance, beginning of year	3,959	106,984	26,005	136,948
Additions	-	-	4,358	4,358
Balance, end of period	3,959	106,984	30,363	141,306
Accumulated depreciation				
Balance, beginning of year	3,959	4,458	23,830	32,247
Depreciation for period	-	6,686	833	7,519
Balance, end of period	3,959	11,144	24,663	39,766
Net book value	-	95,840	5,700	101,540

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 June 30, 2023, in the amount of \$ nil (2022 - \$268,765).

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

6. DUE FROM AND TO RELATED PARTY (continued)

(A) Due from former related party (continued)

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 20 – 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-Jun-23	30-Jun-22
	\$	\$
Balance beginning of year	-	265,391
Interest during the period	-	3,374
Balance end of period	-	268,765

(B) Due to related party

FLH owns directly and indirectly 13,311,508 shares (48.2%) (2022 - 8,712,804 shares - 36.8%) 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-Jun-23	30-Jun-22
	\$	\$
Balance beginning of year	2,683,802	2,463,026
Advances during period	78,000	75,000
Interest during period	52,368	26,606
Change in foreign currency translation	(13,042)	16,334
Balance end of period	2,801,128	2,580,966

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.

6. DUE FROM AND TO RELATED PARTY (continued)

(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-Jun-23	30-Jun-22
	\$	\$
Balance beginning of year	194,710	150,000
Interest during period	1,878	1,496
Advances during period	10,000	-
Balance end of period	206,590	151,496

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

Item	30-Jun-23	30-Jun-22
Management	18,000	24,000
Accounting	18,000	27,000
Rent and storage	-	3,061
Software and other expenses	2,550	1,283
Total for year	38,550	55,344

Included in accounts payable as at June 30, 2023 is an amount of \$838,013 owing to Salumatics (2022 - \$598,124).

The compensation paid to the directors and key management of the Corporation in the period ended June 30, 2023 was \$ nil (2022 - \$21,000) 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 \$65,030 (2022 - \$205,660) payable to key management. In December 2022 3,920,000 common shares were issued at \$0.05 as partial settlement of the amount payable (see Note 8). The shares were trading at \$0.02 when issued and the Corporation recognized a gain on settlement of debt of \$117,600 in the year ended March 31, 2023.

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 adjusted the fair value of the investment to reflect the above noted value converted to C\$ at the foreign exchange rates applicable at the end of each period and recognized a change in the fair value of the investment in the consolidated statements of comprehensive loss.

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, 2023 the Corporation issued 3,920,000 common shares in settlement of an account payable to a related party (see Note 6(C)).

SHARE CAPITAL	Common	
	Shares	Amount
Balance March 31, 2022 and June 30, 2022	23,679,172	19,874,907
Balance March 31, 2023 and June 30, 2023	27,599,172	19,953,307

8. SHARE CAPITAL (continued)

All previously issued warrants have expired unexercised and there are no warrants outstanding as at June 30, 2023.

WARRANTS	Warrants - May 29, 2022		Warrants - June 6, 2022	
	Shares	Amount	Shares	Amount
Balance March 31, 2022	906,707	183,000	10,000	2,000
Expired - unexercised	(906,707)	(183,000)	(10,000)	(2,000)
Balance June 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 Corporation 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 pursuant to the Plan. There are 1,7250,000 options to acquire common shares outstanding under the plan as at June 30, 2023 (June 30, 2022 – 260,000). Any unexercised options that expire or are forfeited become available again for issuance under the Plan.

Options issued and outstanding as at June 30, 2023 and June 30, 2022:

	Weighted Average Exercise price \$	Issued
Balance March 31, 2022 and June 30, 2022	0.42	260,000
Balance March 31, 2023 and June 30, 2023	0.10	1,750,000

Number of options outstanding	Expiry Date	Exercise price \$	Number of options exercisable	Weighted average remaining life (yrs)
250,000	15-Oct-2023	0.40	250,000	0.29
1,500,000	15-Nov-2027	0.05	500,000	4.38

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%.

The Corporation granted 1,500,000 options in the year ended March 31, 2023 at an exercise price of \$0.05 per share. The options vest as follows: 250,000 immediately and 250,000 vesting every six months commencing May 15, 2023. The options were valued using Black Scholes method with an expected term of 3.13 years, an interest rate of 3.0% and volatility of 90%.

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.

10. LONG TERM DEBT (continued)

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, 2023, 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.

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 may qualify 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.

Lease liability

Effective February 1, 2023 SLI US Inc., a wholly owns subsidiary of SLI, committed to a lease agreement related to office and warehouse premises in Powhatan, Virginia, commencing on February 1, 2023 and terminating on January 31, 2024, renewable for a further three one year terms at the same rental. The lease liability has been calculated discounting the monthly payment of US\$2,000 (C\$2,670) at 10% for a 48 month term. The lease is inclusive of all costs and the tenant is not required to pay any additional rent.

LONG TERM DEBT	Convertible Note	Term Loan	CEBA Loan	Total
	\$	\$	\$	\$
Balance March 31, 2022	250,000	335,643	40,000	625,643
Interest during period	5,938	3,047	-	8,985
Repayments during period	(5,938)	(27,414)	-	(33,352)
Face value of loans	250,000	311,276	40,000	601,276
Current portion long term debt	-	(311,276)	(40,000)	(351,276)
Long term June 30, 2022	250,000	-	-	250,000
Balance March 31, 2023	250,000	236,726	40,000	526,726
Interest during period	5,938	2,125	-	8,062
Repayments during period	(5,938)	(27,414)	-	(33,352)
Face value of loans	250,000	211,438	40,000	501,438
Current portion long term debt	(250,000)	(211,438)	(40,000)	(501,438)
Long term June 30, 2023	-	-	-	-

11. INCOME TAX

In the period ended June 30, 2023 the Corporation incurred income tax expense of \$1,975 (2022 - \$ nil). This represents taxes incurred by the US subsidiary, SLI US Inc.

The Corporation and its subsidiaries have non-capital losses of \$13.8 million expiring between 2026 and 2043 as indicated in the following table:

Non-capital losses carried forward			
Year of expiry	\$	Year of expiry	\$
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	1,350,457
			<u>13,826,806</u>

12. EXPENSES BY NATURE

Expense item	Three Months Ended	
	30-Jun-23	30-Jun-22
	\$	\$
Selling, general and admin expenses	70,623	65,938
Professional fees	18,000	36,505
Listing expenses	4,449	3,868
Consulting fees	36,000	104,481
General and administrative	129,072	210,792

13. INTEREST AND BANK CHARGES

Detail	Period ended	
	30-Jun-23	30-Jun-22
	\$	\$
Convertible note interest (Note 10)	5,938	5,938
Term loan interest (Note 10)	2,125	3,047
Term loan guarantee fees (Note 10)	1,020	1,350
Related party interest (Note 6(B))	52,368	26,606
Operating loan interest (Note 6(C))	1,878	1,496
Accretion convertible note (Note 10)	-	2,980
Interest on lease liability Note 10)	3,158	-
Bank charges, accrued interest and fees	4,002	3,881
	<u>70,488</u>	<u>45,298</u>

14. LOSS PER SHARE

The earnings per share is calculated based upon the weighted average number of common shares outstanding during the period of 27,599,172 (June 30, 2022 – 23,679,172). As at June 30, 2023, the Corporation has 1,750,000 outstanding stock options (June 30, 2022 – 260,000). 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 February 1, 2023 SLI US Inc., a wholly owned subsidiary of SLI, committed to a lease agreement related to office and warehouse premises in Powhatan, Virginia, commencing on February 1, 2023 and terminating on January 31, 2024. At the option of the tenant the lease is renewable for three further one year terms at the same rental. The lease is inclusive of all costs and the tenant is not required to pay any additional rent.

Minimum payments required – fiscal year 2024 US\$20,000

16. FINANCIAL INSTRUMENTS

Fair Values

The estimated fair values of cash and cash equivalent, accounts receivable, 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 3 in the fair value hierarchy.

The following table presents the movement in Level 3 instruments for the financial periods ended June 30 2023 and June 30, 2023:

Long term investment	Shares	value (US\$)	30-Jun-23	30-Jun-22
			\$	\$
Balance beginning of period			303,875	280,590
Change in fair value	112,272	\$ 2.00	(6,579)	8,757
Balance end of period			297,296	289,347

Information about significant unobservable inputs used in Level 3 fair value measurements

Description	Fair value at Mar 31 2023	Valuation techniques	Unobservable Inputs	Range input
Long-term investment	303,875	Recent transaction ice	N/A	N/A
Description	Fair value at Mar 31 2022	Valuation techniques	Unobservable Inputs	Range input
Long-term investment	280,590	Recent transaction price	N/A	N/A

The Corporation had applied recent transaction price as the valuation technique to the underlying investments, hence unobservable inputs were not applicable.

During the periods ended June 30, 2023 and June 30, 2022, 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.

17. FINANCIAL RISKS (continued)

Credit Risk (continued)

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 June 30, 2023, 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 June 30, 2023 is \$ nil (2022 - \$39,971).

Accounts Receivable aging	30-Jun-23	30-Jun-22
	\$	\$
30 days or less	47,709	59,756
31 - 60 days	-	5,600
61 - 90 days	6,323	10,589
Over 90 days	17,020	42,842
	71,052	118,787
Less Provision	-	39,971
Net receivable	71,052	78,816

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
	\$	\$	\$
30-Jun-22			
Less than 1 year	509,260	978,097	1,487,357
1 - 5 year	2,830,966	-	2,830,966
More than 5 years	-	-	-
Balance as at June 30, 2022	3,340,226	978,097	4,318,323
30-Jun-23			
Less than 1 year	731,823	1,069,331	1,801,154
1 - 5 year	2,874,952	-	2,874,952
More than 5 years	-	-	-
Balance as at June 30, 2023	3,606,775	1,069,331	4,676,106

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, 2023, 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).

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

17. FINANCIAL RISKS (continued)

Market Risk (continued)

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 10) bears interest at 9.5%, the term loan (Note 10) 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% (Note 6(B)) and 4% (Note 6(C)) 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 \$27,000 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-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
	US\$	US\$	€	€
Cash and cash equivalent	3,843	42,194	-	-
Accounts receivable	43,513	47,130	2,789	-
Accounts payable	(3,653)	(9,587)	(1,015)	(19,675)
Related party payable	(453,710)	(423,273)	-	-
	(410,008)	(343,535)	1,774	(19,675)

A 5% fluctuation in the US and Euro exchange rates vs the Canadian dollar could create a net loss or gain of \$20,000 in the consolidated statement of loss.

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-Jun-23	30-Jun-22
	\$	\$
Cash and cash equivalent	117,801	186,600
Operating loan	206,589	157,984
Long term debt	-	250,000
Current portion long term debt	501,438	351,276
Amount due to related party	2,801,128	2,580,966
Share capital	19,953,307	19,874,907
Contributed surplus	9,315,859	9,303,859
Deficit	(33,303,018)	(32,587,294)
Total Capital	(406,897)	118,298

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 June 30, 2023 were export sales to the United States of \$52,750 (June 30, 2022 - \$104,385).

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.

21. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through August 29, 2023, the date these consolidated interim financial statements were issued. There were no material transactions identified requiring disclosure.