TRENCHANT CAPITAL CORP.

Consolidated Financial Statements

Six Months Ended September 30, 2022

Expressed in Canadian Dollars

(Unaudited and Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Vancouver, Canada

November 28, 2022

Trenchant Capital Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	(Unaudited) September 30, 2022	(Audited) March 31, 2022
ASSETS			
Current assets			
Cash		$ 706,794	$ 883,389
Advances		35,180	-
Accounts receivable		18,591	-
Prepaids		8,903	7,246
Interest receivable	7	329,172	531,689
Convertible note		250,000	250,000
Convertible debenture		500,000	-
PIK Interest receivable	7	-	991,611
Loans receivable	7	12,183,000	19,923,000
		14,031,640	22,586,935
Long-term assets			
Property and Equipment, net	6	274,708	296,231
Investment	3	375,000	1,025,000
TOTAL ASSETS		**$ 14,681,348**	**$ 23,908,166**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 264,446	$ 1,084,775
Lease liability, current portion	9	64,680	50,467
Debentures	11	12,143,683	19,831,830
		12,472,809	20,967,072
Long-term liabilities			
Lease liability		164,833	214,743
TOTAL LIABILITIES		12,637,642	20,181,815
SHAREHOLDERS' EQUITY			
Share capital	12	6,945,289	6,945,289
Share-based payment reserve	12	541,931	541,931
Deficit		(5,443,514)	(4,760,869)
TOTAL EQUITY		**2,043,706**	**2,276,351**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 14,681,348**	**$ 23,908,166**

Going concern (Note 1)

On behalf of the board:

"Eric Boehnke"
Eric Boehnke, Director

"Tom English"
Tom English, Director

Trenchant Capital Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	Three month periods ended September 30, 2022	Three month periods ended September 30, 2021	Six month periods ended September 30, 2022	Six month periods ended September 30, 2021
Revenues					
Interest income	5	$ 329,894	$ 577,086	$ 643,169	$ 1,148,742
Expenses					
Accretion		26,593	62,504	51,853	122,740
Business development		8,990	29,545	11,547	30,362
Consulting		1,260	146,910	2,205	427,460
Depreciation		17,309	11,159	34,618	26,950
General and administrative		(3,766)	17,927	7,704	21,089
Interest		247,309	417,810	494,743	835,926
Professional fees	10	19,873	27,509	45,376	79,654
Transfer agent and filing fees		9,118	6,499	27,768	24,906
		326,686	719,863	675,814	1,569,087
Other items					
Gain on loss of control	3	-	-	-	206,626
Loss on equity investment	3	-	(29,238)	(650,000)	(44,107)
		-	(29,238)	(650,000)	162,519
Net and comprehensive income (loss) for the period		$ 3,208	$ (172,015)	$ (682,645)	$ (257,826)
Income (loss) per share – basic and diluted		$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)

Trenchant Capital Corp.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Common shares	Number of Preferred shares	Common shares	Share-based payment reserve	Deficit	Total
Balance at March 31, 2021	**34,211,286**	**-**	**$ 6,945,289**	**$ 541,931**	**$ (5,217,569)**	**$ 2,269,651**
Comprehensive loss	-	-	-	-	(257,826)	(257,826)
Balance at September 30, 2021	**34,211,286**	**-**	**$ 6,945,289**	**$ 541,931**	**$ (5,475,395)**	**$ 2,011,825**
Balance at March 31, 2022	**34,211,286**	**-**	**$ 6,945,289**	**$ 541,931**	**$ (4,760,869)**	**$ 2,726,351**
Comprehensive loss	-	-	-	-	(682,645)	(682,645)
Balance at September 30, 2022	**34,211,286**	**-**	**$ 6,945,289**	**$ 541,931**	**$ (5,443,514)**	**$ 2,043,706**

Trenchant Capital Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six months ended	
	September 30, 2022	**September 30, 2021**
Operating activities		
Net loss	$ (682,645)	$ (257,826)
Adjustments for non-cash items:		
Accretion expense	51,853	122,740
Accrued interest	6,423	-
Depreciation	34,618	26,950
Loss on equity investment	650,000	44,107
Gain on loss of control	-	(206,626)
Changes in non-cash working capital items:		
Advances	(35,180)	-
Receivables	(18,591)	2,225
Prepaid expenses	(1,657)	-
Interest receivable	202,517	(16,466)
Accounts payables and accrued liabilities	(820,329)	147,820
Net cash flows provided by (used in) operating activities	(612,991)	(137,076)
Investing activities		
Debenture	(500,000)	-
Property and equipment	(13,095)	-
PIK receivable	991,611	(107,085)
Purchase of investment	-	(2,500)
Derecognition of cash due to deconsolidation	-	(135,399)
Repayment of loan	7,740,000	-
Net cash flows used in investing activities	8,218,516	(244,984)
Financing activities		
Repayment of lease obligation	(42,120)	(20,843)
Repayment of debenture	(7,740,000)	-
Net cash flows used in financing activities	(7,782,120)	(20,843)
Decrease in cash	(176,595)	(402,903)
Cash, beginning	883,389	1,799,511
Cash, ending	**$ 706,794**	**$ 1,396,608**

1. Nature and continuance of operations

Trenchant Capital Corp. (the "Company") was incorporated under the British Columbia Business Corporations Act on December 17, 2009, and trades on the CSE under the symbols "TCC" and "TCC.DB" respectively.

The Company's head office is located at suite 2380, 1055 West Hastings Street, Vancouver, BC, V6E 2E9. The Company has three subsidiaries, 0960128 B.C. Ltd., 1141864 B.C. Ltd and Trenchant Energy Holdings Inc.

These unaudited condensed consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has incurred losses since its inception and had an accumulated deficit of $5,443,514 at September 30, 2022, which has been funded primarily by issuance of securities debentures and loans from related parties. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties. In May 2016, the Company pursued a change of business to become an Investment Issuer on the TSXV (the "Change of Business"). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017, and commenced trading on the TSXV under the symbol "TCC.H". The Company's secured convertible debentures commenced trading on the TSXV under the symbol "TCC.DB" and "TCC.DB.A".

2. Significant accounting policies and basis of preparation

These unaudited condensed consolidated interim financial statements were authorized for issue on November 28, 2022, by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The accounting policies applied in these financial statements are consistent with those used in the Company's audited financial statements for the year ended March 31, 2022. There have been no changes from the accounting policies applied in the March 31, 2022, financial statements. The preparation of interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the related amounts of assets and liabilities, revenues and expenses. In the management's opinion, all adjustments considered necessary for fair presentation have been included in these unaudited interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim results. The significant judgments made by management applied in the preparation of these unaudited interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2022. For a description of the critical accounting estimates and assumptions, please refer to the Company's audited consolidated financial statements for the year ended March 31, 2022.

Revenue recognition

Interest income on loans is determined using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the income over the life of the asset. The effective interest rate is the rate that discounts estimated future cash flows to the initial carrying amount.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Asset or Liability	**Classification**
Cash	FVTPL
Interest receivable	Amortized cost
Convertible note	FVTPL
PIK receivable	Amortized cost
Loans receivable	Amortized cost
Investments	FVTPL
Accounts payables	Amortized cost
Debentures	Amortized cost
Convertible debentures subscription received in advance	Amortized cost

Measurement

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset

has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property and 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. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. As at September 30, 2022, property and equipment consist of furniture and right of use assets which are amortized over their useful life estimated as follows.

Furniture and fixtures	straight line method over 5 years
Right of use assets	term of the lease

The depreciation expense for each period is recognized in the statement of comprehensive loss.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity. Details of the controlled entity are as follows:

	Country of incorporation	**Percentage owned***	
		September 30,	**March 31,**
0960128 B.C. Ltd.	Canada	100%	100%
1141864 B.C. Ltd.	Canada	100%	100%
Trenchant Energy Holdings Inc.	Canada	100%	100%
ASEP Medical Holdings Inc. (formerly Trenchant Life Sciences Investments Corp.)	Canada	4%	4%
1295277 BC Ltd.	Canada	4%	4%

*Percentage of voting power is in proportion to ownership.

During the year ended March 31, 2022, ASEP Medical Holdings Inc. (formerly Trenchant Life Sciences Investments Corp.) ("ASEP") closed two private placements (Note 3). The Company's shareholding in ASEP and 1295277 BC Ltd, the fully owned subsidiary of ASEP, was diluted to 14.71%. As such, TLSIC was deconsolidated. On November 18, 2021, the ownership was further reduced to 4.45% (Note 3).

Significant estimates and assumptions

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

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment applied in preparing the Company's financial statements are the assessment of the Company's ability to continue as a going concern, and the recoverability of deferred tax assets and loan receivable, useful life of property and equipment, and ability to control associated entities.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Earnings (loss) per share

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

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

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right-of-use asset is measured based on the present value of the remaining lease payments at the initial application date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the initial application date using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option due to a significant event or change in circumstances.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Expressed in Canadian Dollars)

3. Investment in ASEP Medical Holdings Inc.

During the year ended March 31, 2021, the Company incorporated ASEP and was the sole shareholder in ASEP with subscription of 2,500,000 common shares at a price of $0.001 per share. On April 14, 2021, ASEP closed a private placement to issue an aggregate of 8,000,000 common shares at a price of $0.001 per share for gross proceeds of $8,000. On April 16, 2021, ASEP issued an aggregate of 6,500,000 common shares at a price of $0.02 per share for gross proceeds of $130,000 resulting in a dilution in the Company's shareholdings from 100% to 14.7%. As at April 16, 2021, the fair value of ASEP's shares was estimated at $50,000 and ASEP had a net liability position of $156,626. The deconsolidation resulted in a gain of $206,626.

The investment in ASEP was accounted for using the equity method as the Company determined it had significant influence on ASEP until November 18, 2021. The Company's share of ASEP's losses for the period ended November 18, 2021, totaled $50,000 which was recorded as a reduction to investment.

On November 18, 2021, ASEP received final approval to list its common shares on the CSE and the common shares were listed for trading on the CSE on November 22, 2021, under the symbol "ASEP". The Company's investment in ASEP was reduced to 4.45% and the investment was valued at $1,250,000 using FVTPL resulting in an unrealized gain of $1,250,000.

As at September 30, 2022, the fair value of ASEP investment was $375,000, resulting in an unrealized loss of $650,000 for the six months ended September 30, 2022.

Fair value of investment in ASEP on April 16, 2021	$	50,000
Carrying value:		
Cash		135,399
Subscription receivable		2,500
Accounts payable		(95,878)
Convertible debentures received in advance		(198,647)
Net liability		(156,626)
Gain on loss of control on April 16, 2021	$	206,626

The table below provides a continuity of the ASEP investment under equity method:

		November 18, 2021
Investment at April 16, 2021	$	50,000
Loss on equity investment		(50,000)
Ending balance	$	-

The table below summarizes the cost and fair value of investment in ASEP as at September 30, 2022, under IFRS9:

	Number of shares	**Cost**	**Fair value**
ASEP	2,500,000	$ 2,500	$ 375,000

(Expressed in Canadian Dollars)

4. **Investment in Nectar Health Sciences** On March 7, 2022, the Company subscribed to a convertible promissory note of Nectar Health Sciences Inc.(“Nectar”) for the principal of $250,000 accruing interest at 12% per year (the “Convertible note”), maturing in a year. If Nectar completes any financing with gross proceeds of at least $500,000, the Company can covert the Convertible note and accrued interest (the “Outstanding amount”) into common shares of Nectar with the number of shares equal to the quotient of the Outstanding amount divided by the conversion price, which equals to 75% of the offering price per share. If not converted, Nectar shall pay the Outstanding amount. If Nectar prepays any portion of the Outstanding amount prior to the maturity date, the Outstanding amount shall be increased to an amount equal to 110% of the Outstanding amount and such additional amount shall be repaid in accordance with the terms of the Convertible note as if it was the Outstanding amount.

The Convertible note was classified as FVTPL at the fair value of $250,000 upon initial measurement. As at September 30, 2022, its fair value remained unchanged at $250,000 as the terms and conditions of the convertible note at year end date have not materially changed from initial recognition.

5. **Investment in CG International Petroleum Corp.**

On August 8, 2022, the Company subscribed to an unsecured convertible promissory note (the “Note”) of CG International Petroleum Corp. (“CGIC”) for the principal of CDN$500,000 accruing interest at 10% per year (the “Convertible note”) with a maturity date of August 8, 2023. Pursuant to the Note, in the event that CGIC If Nectar completes a “go public event” pursuant to an Initial Public Offering or Reverse Take Over, the principal amount of the Note and all accrued interest shall automatically convert into Units of the listed issuer with the number of units equal to the quotient of the outstanding amount of the Note principal and all accrued interest divided by the conversion price, which equals to 70% of the price of the shares of the listed issued as at the going public event. Each unit shall consist of one (1) share of the listed issuer and such number of warrants of the listed issuer as is equal to the principal amount of the Note, with each such warrant exercisable into one additional common share of the listed issuer with an exercise price equal to the listed issuers price per share on the going public event.

The Convertible note was classified as FVTPL at the fair value of CDN$500,000 upon initial measurement. As at September 30, 2022, its fair value remained [unchanged] at CDN$500,000 as the terms and conditions of the convertible note at year end date have not materially changed from initial recognition.

6. **Property and Equipment**

		Equipment		Right of use		Total
Cost		$		$		$
March 31, 2021		37,846		134,363		172,209
Additions		23,019		285,302		308,321
March 31, 2022	$	60,865	$	419,665	$	480,530
Additions		13,095		-		13,095
September 30, 2022		73,960		419,665		493,625
Amortization						
March 31, 2021		(18,590)		(111,199)		(129,789)
Charge for the period		(7,569)		(46,941)		(54,510)
March 31, 2022	$	(26,159)	$	(158,140)	$	(184,299)
Charge for the period		(6,088)		(28,530)		(34,618)
September 30, 2022		(32,247)		(186,670)		(218,917)

(Expressed in Canadian Dollars)

Net book value			
March 31, 2022	34,706	261,525	296,231
September 30, 2022	41,713	232,955	274,708

7. Loans

The following summarizes information about loan receivable outstanding at September 30, 2022:

	September 30, 2022
Waiward loans	
May 18, 2017	$ 5,522,000
June 26, 2017	1,488,000
July 19, 2017	730,000
Repayment of Loans	(7,740,000)
Total	-
ABO loans	
March 2018	5,659,000
May 2018	2,335,000
May 2019	2,428,000
June 2019	1,761,000
Total	12,183,000
Total current loans receivable	$ 12,183,000

<u>Waiward Loans</u>

The Company has entered into a loan agreement (the "Loan Agreement") dated March 2, 2017 (which replaces the loan agreement dated October 28, 2016) with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to the Hillcore Group Ltd. ("Hillcore"), pursuant to which a wholly owned subsidiary of the Company (the "Lender") has agreed to loan a minimum of $5,000,000 and a maximum of $20,000,000 (or $23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Waiward Loan") to the Borrower, secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), a Canadian steel fabricator and erector.

The Waiward loans were made by the Company's subsidiary 0960128 B.C. Ltd. and bears interest at the rate of 12.5% per annum, with 10% payable quarterly in cash and 2.5% added quarterly to the principal balance and payable at maturity on March 31, 2022.

Interest earned during the year ended March 31, 2022, was $1,083,548, (2021 - $1,046,034), of which $222,951 (2021 - $208,744) was receivable at March 31, 2022, and $991,611 (2021 - $776,689) was interest accrued for payment in kind ("PIK"). The loan is secured by the Borrower's indirect equity interest in Waiward Steel.

Subsequent to the year end March 31, 2022, the Waiward loan and accrued interest were repaid in full (Note 14).

(Expressed in Canadian Dollars)

ABO Loans

In December 2017, the Company's subsidiary 1141864 B.C. Ltd. agreed to lend $5,569,000 to ABO Investments Limited Partnership ("ABO"). The loan bears interest at the rate of 10.0% per annum, payable quarterly in cash until maturity on January 27, 2023 (the "ABO Loan"). On May 17, 2018, the Company closed the second tranche of the Omni Debentures for which gross proceeds of $2,335,000 were raised through the issuance of 2,335 Omni Debentures. On May 13, 2019, the Company closed the third tranche of the Omni Debentures for which gross proceeds of $2,428,000 were raised through the issuance of 2,428 Omni Debentures. On June 28, 2019, the Company closed the fourth tranche of the Omni Debentures for which gross proceeds of $1,761,000 were raised through the issuance of 1,761 Omni Debentures.

Interest earned in the six months ended September 30, 2022, was $607,481 (2021 - $613,318), of which $312,076 was receivable at September 30, 2022. The loan is secured by the borrower's indirect equity interest in Omni Health Investments Inc.

8. Accounts payable and accrued liabilities

	September 30, 2022	March 31, 2022
Accounts payable (Notes 9 and 10)	$ 264,446	$ 1,042,784
Accrued liabilities (Note 9)	-	41,991
	$ 264,446	$ 1,084,775

9. Lease liabilities

On April 30, 2021, the Company entered into a new lease agreement for use of office premises. The term of lease is 5 years from November 1, 2021. The schedule of monthly payments is below:

	Monthly lease payment
November 1, 2021 to October 31, 2024	$ 5,390
November 1, 2024 to October 31, 2026	$ 5,659

On September 30, 2022, the balance of the lease liability is as follows:

	September 30, 2022	March 31, 2022
Balance, beginning	$ 265,210	$ 20,843
Additions	-	285,302
Interest	7,423	7,164
Payments	(42,120)	(48,099)
Balance, ending	$ 229,513	$ 265,210

	September 30, 2022	March 31, 2022

Short term	$ 64,680	$ 50,467
Long term	164,833	214,743
Total	$ 229,513	$ 265,210

10. Related party transactions

The following amounts are due to related parties and included in accounts payable (Note 6) and advance:

	September 30, 2022	March 31, 2022
CFO	$ (2,625)	$ (3,700)
CEO	-	(194,473)
Directors	-	(392,400)
	$ (2,625)	$ (590,573)

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	September 30, 2021	September 30, 2021
CFO – Professional fees	$ 15,750	$ 13,125
CEO – Consulting fees	-	115,500
Directors – Consulting fees	-	239,800

11. Debentures

	September 30, 2022	March 31, 2022
Balance, beginning	$ 19,831,830	$ 19,580,434
Interest expense	243,660	1,676,698
Interest paid or payable	(243,660)	(1,676,698)
Accretion of financing costs	51,853	251,396
Repayment	(7,740,000)	-
	$ 12,143,683	$ 19,831,830

The Waiward Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of secured convertible debentures (the “Debentures”) priced at $1,000 per Debenture (the “Debenture Offering Price”). The Debenture Offering closed for aggregate gross proceeds of $7,740,000. The debenture was loaned to Waiward (Note 5).

The Debentures matures on March 31, 2022, and the outstanding principal of the Debentures bears interest (the “Debenture Interest”) at the rate of 9% per annum, payable quarterly in cash.

11. Debentures (cont'd)

Commencing on May 18, 2018, the outstanding principal amount of the Debentures may be converted, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the common shares for the 30 trading day period ending three business days before the conversion date, and (ii) $1.00 per common share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180-day period.

The Company may prepay the outstanding principal of the Debentures, and accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, by paying the Debenture holders 105% of the outstanding principal amount of the Debentures in year three, 103% of the outstanding principal amount of the Debentures in year four, and 101% of the outstanding principal amount of the Debentures in year five, plus any accrued but unpaid interest thereon.

The Company pledged all of the outstanding shares of 0960128 B.C. Ltd. to Computershare, on behalf of the holders of Debentures, as security for the Company's outstanding obligations under the Debentures. The holders of Debentures have no recourse to the Company other than with respect to such shares.

Subsequent to March 31, 2022, the Company received payment from Waiward Investments Limited Partnership for all amounts due under the loan agreement, dated March 2, 2017 (Note 6), and paid all amounts due under the 9% convertible debentures pursuant to the terms of the Convertible Debenture Indenture dated May 18, 2017, to the Trustee for the holders of the Debentures.

During the six months ended June 30, 2022, the Company has recognized an accretion expense of $150,491 (2021 - $73,305) related to this Debenture Offering. During the year ended March 31, 2022, interest expense of $702,058 (2021 - $696,600) was paid and accrued, of which $179,608 (2021 - $174,150) was included in accounts payable (Note 7).

The Omni Debentures

In December 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of secured convertible debentures (the "Omni Debentures") priced at $1,000 per Debenture. The net proceeds of the Omni Debenture Offering will be used to fund the Omni Loan, as described below. The Debenture Offering closed in four tranches for aggregate gross proceeds of $12,183,000, of which the third and fourth tranches were closed during the year ended March 31, 2020, for gross proceeds of $2,428,000 and $1,761,000, respectively.

The maturity date of the Omni Debentures will be January 27, 2023, and bear interest at the rate of 8.0% per annum, payable quarterly in cash.

During the six months ended September 30, 2022, the Company recognized as accretion expense of $51,852 (2021 - $25,261) related to these Omni Debentures. During the six months ended September 30, 2021, interest expense of $243,660 (2020 - $243,660) was accrued, which is included in accounts payable (Note 6).

Commencing two years from closing, the outstanding principal amount of the Omni Debentures may be converted, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the common shares for the 30 trading day period ending three business days before the conversion date, and (ii) $1.25 per common share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180-day period.

The Company may prepay the outstanding principal of the Omni Debentures, and accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, by paying the Omni Debenture holders 105% of the outstanding principal amount of the Omni Debentures in year three, 103% of the outstanding principal amount of the Omni Debentures in year four, and 101% of the outstanding principal amount of the Omni Debentures in year five, plus any accrued but unpaid interest thereon.

The Company has agreed to pledge all of the outstanding shares of 1141864 B.C. Ltd. as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

12. Share capital

Authorized share capital

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

Issued share capital

At September 30, 2022, and March 31, 2022, there were 34,211,286 issued and fully paid common shares.

During the six months ended September 30, 2021, no shares were issued.

Basic and diluted loss per share

The calculation of basic loss per share for the six months ended September 30, 2022, was based on the income (loss) attributable to common shareholders of ($682,645) (2021 - $263,463) and the weighted average number of common shares outstanding of 34,211,286 (2021 – 34,211,286).

Stock options

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The shareholders of the Company approved the Plan on September 8, 2011. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at the time of the granting of options. Such options may be exercisable for a period of up to 10 years from the date of the grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

For six months ended September 30, 2021, the Company recognized share-based payment of $Nil (2020 - $16,633) on vested options.

(Expressed in Canadian Dollars)

Share purchase warrants

The continuity of warrants for the period ended September 30, 2022, is as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance, March 31, 2022, and September 30, 2022	14,950,000	$ 0.115

Details of warrants outstanding as at September 30, 2022, are as follows:

Expiry date	Exercise price	Warrants outstanding	Weighted average remaining contractual years
March 24, 2023	$ 0.115	14,950,000	.48
Total		14,950,000	.48

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

13. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk is assessed as low. Credit risk with respect to loan and interest receivables is assessed as moderate due to the risk of potential non-payments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

(Expressed in Canadian Dollars)

	Accounts payable and accrued liabilities	Lease liability	Debentures	Total
Less than 1 year	$ 264,446	$ 64,680	$ 12,183,000	$ 12,576,837
1-5 years	–	164,833	–	164,833
Balance at March 31, 2022	$ 264,446	$ 229,513	$ 12,183,000	$ 12,741,670

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company had no exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk and the debentures have fixed interest rates. Interest rate risk is assessed as low.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

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

	September 30, 2022	March 31, 2022
FVTPL:		
Cash	$ 706,794	$ 883,389
Investment	375,000	1,025,000
Convertible note	250,000	250,000
Debenture	500,000	
Amortization costs:		
Interest receivable	329,172	531,689
PIK interest receivable	-	991,611
Loans receivable	12,183,000	19,923,000
	$ 14,343,966	$ 23,604,689

(Expressed in Canadian Dollars)

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

		September 30, 2022		March 31, 2022
Non-derivative financial liabilities:				
Accounts payable	$	264,446	$	1,042,784
Debentures		12,143,683		19,831,830
	$	12,408,129	$	20,874,614

Fair value

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

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