



G2 Technologies Corp.
(Formerly Green 2 Blue Energy Corp.)

Condensed Interim Consolidated Financial Statements

Nine Months Ended – March 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

The accompanying unaudited interim consolidated 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 consolidated financial statements.

G2 TECHNOLOGIES CORP. (FORMERLY GREEN 2 BLUE ENERGY CORP.)

Condensed Interim Consolidated Statements of Financial Position (Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Notes	March 31, 2021	June 30, 2020
ASSETS			
Current			
Cash		\$ 367,201	\$ 3,503
Prepaid and other receivables		98,546	41,604
Lease receivables		7,682	20,889
		473,429	65,996
Lease receivables – non current		-	1,843
TOTAL ASSETS		\$ 473,429	\$ 67,839
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts Payable & Accrued Liabilities		\$ 106,402	\$ 230,886
Loan payable	4	-	20,500
Due to related parties	5	784	545,726
Lease liability		7,682	20,889
		114,868	817,981
Convertible debenture	7	-	326,272
Loan payable – non current	4	30,809	28,661
Lease liability – non current		-	1,843
TOTAL LIABILITIES		145,677	1,174,757
Shareholders' Equity (Deficit)			
Share Capital	6	12,387,401	10,366,636
Other reserves		1,737,248	1,737,248
Deficit		(13,796,897)	(13,210,802)
		327,752	(1,106,918)
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIT		\$ 473,429	\$ 67,839

Going concern (Note 1)
 Commitments (Notes 9)
 Contingencies (Note 12)
 Subsequent events (Note 13)

Approved and authorized for issuance by the Board of Directors on May 31, 2021:

/s/ "Slawomir Smulewicz"

Slawomir Smulewicz, Director

/s/ "John Costigan"

John Costigan, Director

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

G2 TECHNOLOGIES CORP. (FORMERLY GREEN 2 BLUE ENERGY CORP.)

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Notes	Three months ended		Nine months ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
REVENUES		\$ -	\$ -	\$ -	569,854
COST OF SALES		-	(82,796)	-	(655,861)
GROSS PROFIT		-	(82,796)	-	(86,007)
OPERATING EXPENSES					
Consulting and management fees	5	(111,553)	(94,250)	(395,350)	(336,101)
Corporate development fees		(25,000)	-	(25,000)	-
Depreciation		-	(21,228)	-	(75,512)
Foreign exchange gain (loss)		-	(8,600)	2,025	(8,600)
General and administrative		(22,435)	(132,248)	(45,057)	(534,317)
Professional fees		(113,434)	(6,385)	(196,928)	(18,073)
Travel		(518)	-	(518)	(19,000)
Wage and benefits		-	(76,563)	-	(127,348)
TOTAL OPERATING EXPENSES		(272,940)	(339,274)	(660,828)	(1,118,951)
NET LOSS BEFORE OTHER (EXPENSES) INCOME		(272,940)	(422,070)	(660,828)	(1,204,958)
OTHER (EXPENSES) INCOME					
Other expense		-	(303,353)	-	(47,748)
Gain on disposition of subsidiary		-	729,170	-	907,674
Finance (expense), income		(1,976)	21,562	(26,288)	(23,068)
(Loss) gain from settlement of liabilities	6	(28,750)	-	101,021	-
TOTAL OTHER INCOME		(30,726)	447,379	74,733	836,858
NET (LOSS) INCOME AFTER OTHER INCOME		(303,666)	25,309	(586,095)	(368,100)
Cumulative translation adjustment		-	9,072	-	21,721
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(303,666)	34,381	(586,095)	(346,379)
NET (LOSS) INCOME ATTRIBUTABLE TO:					
Shareholder of G2 Technologies Corp.		(303,666)	25,309	(586,095)	(364,254)
Non-controlling interest		-	-	-	(3,846)
		(303,666)	25,309	(586,095)	(368,100)
OTHER COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:					
Shareholder of G2 Technologies Corp.		-	9,072	-	21,721
Non-controlling interest		-	-	-	-
		-	9,072	-	21,721
(Loss) Earnings Per Share - Basic and Diluted		\$ (0.02)	\$ 0.00	\$ (0.06)	\$ 0.00
Weighted average number of shares outstanding – basic & diluted		17,116,146	5,029,016	9,082,134	4,994,833

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

G2 TECHNOLOGIES CORP. (FORMERLY GREEN 2 BLUE ENERGY CORP.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Issued Common Shares		Share-based Payment Reserves	Warrant Reserves	Convertible Debt Reserves	AOCI	Subscription Subscribed	Deficit	Total Shareholders' Deficit for Owners		NCI	Total Shareholders' Deficit	
	Number	Amount Received							\$	\$		\$	\$
BALANCE, JUNE 30, 2020	5,029,016	10,366,636	1,378,803	322,770	35,675	-	-	(13,210,802)	(1,106,918)	-	-	(1,106,918)	
Shares for debt – accounts payables (note 6)	283,037	138,666	-	-	-	-	-	-	138,666	-	-	138,666	
Shares for debt – loan payable (note 6)	275,430	82,628	-	-	-	-	-	-	82,628	-	-	82,628	
Shares for debt – convertible debenture (note 6, 7)	905,652	271,696	-	-	-	-	-	-	271,696	-	-	271,696	
Share issuance – private placement (note 6)	16,633,000	1,527,775	-	-	-	-	-	-	1,527,775	-	-	1,527,775	
Net loss for the period	-	-	-	-	-	-	-	(586,095)	(586,095)	-	-	(586,095)	
BALANCE, MARCH 31, 2021	23,376,135	12,387,401	1,378,803	322,770	35,675	-	-	(13,796,897)	327,752	-	-	327,752	
BALANCE, JUNE 30, 2019	4,603,278	10,111,193	1,378,803	152,475	34,591	(21,721)	425,738	(12,469,687)	(388,608)	3,846	-	(384,762)	
Share issuance (note 4)	425,738	425,738	-	-	-	-	(425,738)	-	-	-	-	-	
Cumulative translation adjustment	-	-	-	-	-	21,721	-	-	21,721	-	-	21,721	
Net loss for the year	-	-	-	-	-	-	-	(364,254)	(364,254)	(3,846)	-	(368,100)	
BALANCE, MARCH 31, 2020	5,029,016	10,536,931	1,378,803	152,475	34,591	-	-	(12,833,941)	(731,141)	-	-	(731,141)	

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G2 TECHNOLOGIES CORP. (FORMERLY GREEN 2 BLUE ENERGY CORP.)

Condensed Interim Consolidated Statements of Cash Flows (Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Notes	Three months ended		Nine months ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss income for the period		\$ (303,666)	\$ 25,309	\$ (586,095)	\$ (368,100)
Items not Affecting Cash:					
Depreciation		-	51,661	-	75,512
Finance cost		1,976	13,196	26,288	36,108
Gain on disposition of lease		-	(698,627)	-	(907,674)
Gain from settlement of liabilities	6	28,750	-	(101,021)	-
		(272,940)	(608,461)	(660,828)	(1,164,154)
Changes in Non-Cash Working Capital Items:					
Prepaid and other receivables		(34,860)	(55,672)	(56,943)	(8,845)
Inventory		-	23,497	-	123,537
Accounts payables and accruals		(383,679)	274,697	(206,086)	442,078
Advances		-	-	-	(38,200)
Due from related parties		(346,928)	245,356	(214,942)	255,868
Net Cash Used In Operating Activities		(1,038,407)	(120,583)	(1,138,799)	(389,716)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property plant and equipment		-	-	-	(9,000)
Cash deconsolidated from disposition of subsidiaries		-	(3,792)	-	(3,792)
Net Cash Used In Investing Activities		-	(3,792)	-	(12,792)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of lease liabilities		-	(9,531)	-	(9,531)
Proceeds from private placement, net of share issuance cost	6	1,527,775	-	1,527,775	-
Loan repayment	4	(123,278)	-	(123,278)	-
Proceeds from loan payable		-	20,000	98,000	407,488
Net Cash Flow From Financing Activities		1,404,497	10,469	1,502,497	397,957
Effects of exchange rate changes on cash		-	2,202	-	-
Change in Cash During the period		366,090	(111,704)	363,698	(4,551)
Cash, Beginning of period		1,111	113,327	3,503	6,174
Cash, End of period		\$ 367,201	\$ 1,623	\$ 367,201	\$ 1,623

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

G2 TECHNOLOGIES CORP. (FORMERLY GREEN 2 BLUE ENERGY CORP.)

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended March 31, 2021 and 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. Corporate Information

G2 Technologies Corp. (formerly Green 2 Blue Energy Corp.) (the “Company” or “GTOO”) was incorporated on October 9, 2014 in British Columbia under the Business Corporations Act.

On January 16, 2017, the Company entered into a Share Exchange Agreement with G2BE Canada Inc. (“G2BEC”), a private British Columbia company incorporated on May 30, 2014 resulting in a reverse-takeover transaction whereby the Company acquired all of the issued and outstanding common shares in the capital of GTOO (the “Transaction”).

Up until the disposition of all operating subsidiaries on March 31, 2020 (Note 2(a)), the Company was in the business of manufacturing, marketing, and distributing softwood pellets for consumer and industrial customers and arranging transactions between buyers and sellers of alternative energy products.

Since March 31, 2020, the Company has effectively been a shell company with no operations and is currently looking for other ventures to build value for its shareholders.

On October 25, 2020, the Company changed its name from Green 2 Blue Energy Corp. to G2 Technologies Corp. and change its ticker symbol to “GTOO”.

The Company’s registered office is located at 1105 -808 Nelson Street, Vancouver BC.

Corporate development initiatives

On November 4, 2020, the Company signed a Letter of Intent dated October 30, 2020 (the “LOI”) with Caltron Oil Pty Ltd (“Caltron” or “COPL”) to pursue oil and gas acquisitions in the State of California.

On March 3, 2021, the Company signed a binding term sheet (the “Term Sheet”) with Caltron Oil Pty Ltd. of Southbank, Australia. Under the Term Sheet, the Company and Caltron have agreed to jointly pursue oil and gas acquisitions located onshore southern California in the prolific Los Angeles Basin.

On May 29, 2021, the Company replaced the Term Sheet with a new one (“New Term Sheet”) with the same terms except noting that the New Term Sheet will terminate in the event that Caltron cannot provide a written confirmation of interest of selling of assets from potential sellers on or before June 15, 2021.

Going concern

These unaudited interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2021, the Company had a negative cash flow from operations, had an accumulated deficit of \$13,796,897 (June 30, 2020 - \$13,210,802). Furthermore, the Company incurred a net loss of \$586,095 during the period ended March 31, 2021 (2020 - \$368,100). Management believes that the proceeds from additional equity and debt financing activities that it is currently pursuing would provide the Company with sufficient working capital to satisfy its liabilities and commitments as they become due for the foreseeable future. However, there can be no assurances that sufficient equity or debt can be raised on a timely basis or on terms that are acceptable to the Company. These factors indicate the existence of a material uncertainty that casts significant doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

Covid-19

During March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time the extent of the impact the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

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(Expressed in Canadian dollars)

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These interim consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2020, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements.

The interim consolidated financial statements were authorized for issue by the Board of Directors on May 31, 2021.

On January 5, 2021, the Company completed a 20:1 consolidation of the common shares of the Company. Following the consolidation, the share data in these financial statements are presented on a post-consolidated basis.

The interim consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Name of Subsidiary	Place of Incorporation	March 31, 2021 Ownership Interest	June 30, 2020 Ownership Interest
G2BE Canada Inc. (“G2BEC”)	Canada	N/A	N/A – sold (ii)
G2BE Europe Limited (“G2BEEL”)	Malta	N/A	N/A – sold (ii)
G2BE Poland Sp. z o.o. (“G2BEPL”)	Poland	N/A	N/A – sold (ii)
G2BE Production Sp. z o.o. (“G2BEP”)	Poland	N/A	N/A – sold (ii)
G2BE Zaklad 2 Sp. z. o. o. (G2BZ2”)	Poland	N/A	N/A – sold (i)
G2BE Sino Limited (“G2BESL”)	Hong Kong	N/A	N/A dissolved October 9, 2020
Arsenal Health Sciences Inc. (“Arsenal”)	Canada	100% owned by GTOO– inactive	Incorporated on June 16, 2020. 100% owned by GTOO– inactive

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During the year ended June 30, 2020, the Company disposed of five of its subsidiaries as noted above for \$Nil consideration, resulting in the following assets and liabilities being deconsolidated as of the disposition dates:

	Disposition on March 31, 2020 (ii)	Disposition on November 29, 2019 (i)	TOTAL
Cash and cash equivalents	(1,541)	(2,232)	(3,773)
Accounts receivable and prepaid expenses	(264,799)	(678)	(265,477)
Inventory	(49,491)	-	(49,491)
Prepaid Expense	(29,715)	(50,682)	(80,397)
PPE	(1,061,082)	-	(1,061,082)
Right of use asset	-	(133,013)	(133,013)
Accounts payable and accrued liabilities	1,085,904	107,750	1,193,654
Loan payable	712,492	52,878	765,370
Lease liability	366,200	134,558	500,758
AOCI	(212,365)	(398)	(212,763)
NCI	-	3,846	3,846
GAIN ON DISPOSITION	545,206	112,030	657,236

- i) On November 29, 2019, the Company transferred its ownership in the shares of G2BZ2 to an arm's length British Columbia private company due to its inability to provide financing for the repayment of its liabilities. Accordingly, as of November 29, 2019 the subsidiary was deconsolidated.
- ii) On February 19, 2020, a loan ("Default Loan") in G2BEEL was in default due to the cease trade order at the Company. On March 31, 2020, the Company entered into a Settlement Agreement ("Settlement Agreement") to settle the Default Loan of approximately \$301,594 in G2BEEL. Pursuant to the Settlement Agreement, the Company transferred the shares the Company held in G2BEEL, G2BEPL, G2BEC, G2BEP to the lender. Accordingly, as of March 31, 2020 these subsidiaries were deconsolidated.

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, except where otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company, Arsenal, G2BEC, G2BEEL and G2BESL is Canadian dollars and G2BEP, G2BZ2 and G2BEPL 's functional currency is Polish zloty ("PLN\$").

(c) Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date could result in a material adjustment to the carrying amounts of assets and liabilities.

Significant areas of estimation and judgment include the collectability of accounts receivable, useful life and recoverability of long-lived assets, measurement of provisions, valuation of inventory, fair value of derivative liabilities, fair value of share-based payments, application of the going concern assumption, and deferred income tax asset valuation allowances.

The Company's policy for property and equipment requires judgment in determining whether the present value of future expected economic benefits exceeds capitalized costs. The policy requires management to make certain estimates and assumptions about future economic benefits related to its operations. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of capitalized cost is unlikely, the capitalized cost is written off in the consolidated statement of comprehensive loss.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt about the Company's ability to continue as a going concern.

3. Accounting Policies Implemented on July 1, 2020

As at March 31, 2021, there were no new accounting pronouncements that were relevant and would result a material impact to the condensed interim consolidated financial statements.

4. Loans Payable

- a) On April 29, 2020, the Company was approved and received a \$40,000 line of credit ("CEBA LOC") with CIBC under the Canada Emergency Business Account ("CEBA") program funded by the Government of Canada. The CEBA LOC is non-interest bearing and can be repaid at any time without penalty.

On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a 2-year interest free term loan ("CEBA Term Loan"). The CEBA Term Loan may be repaid at any time without notice or the payment of any penalty. If 75% of the CEBA Term Loan, at the CEBA Term Loan Commencement Date, is repaid on or before December 31, 2022, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven. If on December 31, 2022, the Company exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining.

The Company recorded the fair value of \$28,190 at the initial recognition date of the CEBA LOC using an effective interest rate of 10% per annum. The difference of \$11,810 between the fair value and the total amount of CEBA LOC received has been recorded as a government grant in finance income.

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	Total
Balance, as at June 30, 2019	\$ -
Principal issued	40,000
Difference between fair value and carrying value	(11,810)
Accretion expense	471
Balance, as at June 30, 2020	\$ 28,661
Accretion expense	2,148
Balance, as at March 31, 2021	\$ 30,809

- b) On March 22, 2020, the Company closed on an unsecured loan payable (which bears an interest of 10% per annum) of up to \$100,000, to an unrelated third party. The debenture is due on October 31, 2020.

	Total
Balance, as at June 30, 2019	\$ -
Principal issued	20,000
Interest expense	500
Balance, as at June 30, 2020	\$ 20,500
Principal issued – cash	98,000
Principal issued – expense paid on behalf of Company	110,172
Principal settled – shares for debt	(110,172)
Interest expense	4,778
Principal settled – cash repayment	(123,278)
Balance, as at March 31, 2021	\$ -

On December 11, 2020, the Company issued 5,508,592 common shares (note 6) to settle a principal of \$110,172. The fair value of the common shares was \$82,628, resulting a gain in settlement of \$27,544.

5. Related Party Transactions

- a) As at March 31, 2021, the Company owed \$784 (June 30, 2020 - \$482,375) to the President of the Company and a company, Blue Amber Enterprise Ltd. (“Blue Amber”), controlled by the President of the Company. During the period ended March 31, 2021, Blue Amber assigned \$330,000 of its balanced owed to an unrelated 3rd party. The amount owing is unsecured, non-interest bearing, due on demand and is included in Due to related parties.
- b) As at March 31, 2021, the Company owed \$nil (June 30, 2020 - \$63,351) to a Director of the parent Company. The amount owing is unsecured, non-interest bearing, due on demand and is included in Due to related parties.
- c) During the period ended March 31, 2021, the Company recorded management fees of \$149,624 (2020 - \$250,600) to the President of the Company and a company (Blue Amber Enterprise Ltd.) controlled by the President of the Company.
- d) During the period ended March 31, 2021, the Company recorded consulting fees of \$75,000 (2020 - \$5,000) to a company (Samina Capital Ltd.) controlled by the Chief Financial Officer of the Company.
- e) During the period ended March 31, 2021, the Company recorded consulting fees of \$5,000 (2020 - \$72,000) to a Director of the Company.

6. Share Capital

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. The Company has not issued any preferred shares since inception.

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Notes to the Condensed Interim Consolidated Financial Statements

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Common Shares

The Company is authorized to issue an unlimited number of common shares without par value. As at March 31, 2021, there was a total of 23,376,135 common shares outstanding (June 30, 2020 – 5,029,016).

Issued during the period ended March 31, 2021:

- i) On January 5, 2021, the Company completed a 20 to 1 shares consolidation.
- ii) On February 3, 2021:
 - a) The Company completed a non-brokered private placement financing issuing an aggregate of 16,633,000 Units (post 20 to 1 shares consolidation) (“Unit”) at a price of \$0.10 per Unit, for a gross proceeds of \$1,663,300. Each Unit consists of 1 common share and 1 share purchase warrant (exercise price of \$0.15, expire on February 3, 2023). Total finder’s fee and transactional cost were \$135,525.
 - b) In conjunction with the private placement, the Company also issued 250,000 Units to settle \$25,000 of accounts payables, resulting a loss on settlement of liability of \$28,750.
 - c) Based on the fair value of the common shares on issuance, the residual value of \$nil was allocated to the valuation of warrants.
- iii) On December 11, 2020, the Company issued common shares to settle the following liabilities:
 - a) 275,430 common shares to settle a loan payable principal of \$110,172 (note 4(b)). The fair value of the was common shares was \$82,628, resulting a gain in settlement of \$27,544.
 - b) 283,037 common shares to settle accounts payables of \$113,207. The fair value of the common shares was \$84,916, resulting a gain in settlement of \$28,291.
 - c) 905,652 common shares to settle the total carrying value of the convertible debenture of \$345,632 (note 8(c)). The fair value of the common shares was \$271,696, resulting a gain in settlement of \$73,936.

During the period ended March 31, 2021, the Company recorded a total of \$101,021 gain from settlement of liabilities through issuance of shares.

Issued during the year ended June 30, 2020:

On July 25, 2019 the Company issued 425,738 Units at a price of \$1.00 per Unit for total gross proceeds of \$425,738. These proceeds were received in the prior fiscal year. Each Unit consists of one common share of the Company (a “Share”) and one-half (1/2) of one common share purchase warrant (a “Warrant”). Each Warrant entitles the holder thereof to purchase one additional common share of the Company at a price of \$2.00 per share with an expiry date of January 23, 2021. Based on the fair value of the common shares on issuance, the residual value of \$170,295 was allocated to the valuation of the warrants.

Escrow Shares

On the closing of the Transaction (Note 1), 1,576,030 common shares (the “Escrow Shares”) were held in escrow pursuant to a share exchange agreement. The Escrow Shares are to be released as follows: Ten (10%) percent of the Escrow Shares are to be released upon the date of listing on the Exchange and an additional 15% are to be released every 6 months thereafter until all Escrow Shares have been released (36 months following the date of listing on the Exchange). As at March 31, 2021, there were nil (June 30, 2020 – 237,118) common shares held in escrow

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(Expressed in Canadian dollars)

Stock Options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each stock option may be no less than the greater of \$0.10 per share and the closing market price of the Company's shares on the trading day immediately preceding the date of grant of the option, less any applicable discount allowed by the stock exchange on which the shares are traded, as calculated on the date of grant.

The following table summarizes the changes during the period ended March 31, 2021:

	March 31, 2021		June 30, 2020	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding – beginning of year	390,750	2.80	390,750	2.80
Cancelled	(390,750)	2.80	-	-
Outstanding – end of period	-	-	390,750	2.80
Exercisable – end of period	-	-	390,750	2.80

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2020

Exercise Price	Expiry Date	Number of Options Outstanding and Exercisable	Number of Options Exercisable	Remaining Contracted Life (Years)
\$ 2.00	November 21, 2022	55,000	55,000	2.14
\$ 3.00	January 25, 2023	95,750	95,750	2.32
\$ 3.00	June 13, 2023	150,000	150,000	2.70
\$ 3.00	June 19, 2023	20,000	20,000	2.72
\$ 3.00	July 10, 2023	50,000	50,000	2.78
\$ 2.00	November 26, 2023	20,000	20,000	3.16
		390,750	390,750	2.56 *

*weighted average remaining contracted life

The weighted average fair value of the options granted during the period ended March 31, 2021, was \$nil (2020 - \$nil).

During the period ended March 31, 2021, the Company recognized share-based compensation expense of \$nil (2020 - \$nil) in share-based payment reserve.

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Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2019	1,561,608	\$ 6.00
Issued	212,869	\$2.00
Expired	(1,561,608)	\$6.00
Balance, June 30, 2020	212,869	\$2.00
Issued (Note 6)	16,883,000	\$0.15
Expired	(212,869)	\$2.00
Balance March 31, 2021	16,883,000	-

212,869 share purchase warrants expired on January 23, 2021.

7. Convertible Debentures

Below is a summary of the Company's convertible debentures:

	Convertible Debenture A (a)	Convertible Debenture B (b)	Total
Balance, as at June 30, 2019	\$ 275,579	\$ -	\$ 275,579
Principal issued	-	10,000	10,000
Conversion option (equity component)	-	(1,084)	(1,084)
Accretion expense	10,227	316	10,543
Interest accrued	30,300	934	31,234
Balance, as at June 30, 2020	\$ 316,106	\$ 10,166	\$ 326,272
Accretion expense	5,241	171	5,412
Interest accrued	13,502	446	13,948
Shares for debenture (c)	(334,849)	(10,783)	(345,632)
Balance, as at March 31, 2021	\$ -	\$ -	\$ -

The convertible debentures were accounted for as having a financial liability and an equity instrument component. The financial liability, which represents the obligation to pay coupon interest and principal in the future is initially measured at fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Interest has been accrued at the effective rate of 15% per annum.

- a) The Company received subscriptions on a non-brokered private placement of unsecured convertible debentures, matures on April 24, 2022, accruing interest at 10% per annum, accrued and paid annually. The holders of the debentures have the option to convert into common shares in \$5,000 increments at \$4.00 per share. The Company may force the conversion of the principal amount the then outstanding debentures at the conversion price on not less than 30 days' notice should the daily volume weighted average trading price of the Company's outstanding common shares on the Exchange be equal to or greater than \$8.00 per common share for any 10 consecutive trading days, subject to such mandatory conversion being permitted under the policies of the Exchange at the time of conversion.

The offering was closed on April 24, 2019, with the Company receiving gross proceeds of \$303,000.

- b) The Company received subscriptions on a non-brokered private placement of unsecured convertible debentures, matures on July 18, 2022, accruing interest at 10% per annum, accrued and paid annually. The holders of the debentures have the option to convert into common shares in \$5,000 increments at \$0.20 per

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share. The Company may force the conversion of the principal amount of the then outstanding debentures at the conversion price on not less than 30 days' notice should the daily volume weighted average trading price of the Company's outstanding common shares on the Exchange be equal to or greater than \$8.00 per common share for any 10 consecutive trading days, subject to such mandatory conversion being permitted under the policies of the Exchange at the time of conversion.

The offering was closed on July 18, 2019, with the Company receiving gross proceeds of \$10,000.

- c) On December 11, 2021, the Company issued 905,652 common shares (note 6) to settle the total carrying value of the convertible debenture of \$345,632. The fair value of the common shares was \$271,696, resulting in a gain in settlement of \$73,936.

8. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, and reserves.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged as at March 31, 2021.

9. Commitments

The Company had no significant commitments or contractual obligations with any parties related to executive compensation, consulting arrangements, or other matters other than disclosed below and disclosed in Note 5.

On April 1, 2020, the Company entered into a consulting agreement with ECMB Capital Partners Inc. ("ECMB"). Under the terms of the consulting agreement, ECMB will provide advisory services including identifying and negotiating development opportunities for the Company and support for ongoing advancement of the Company. The consulting agreement provides for a monthly retainer of \$4,000 payable in cash or equity, calculated each three months with the first payment due on signing and a finder's fee up to 10% of the value of a transaction brought to the Company.

10. Financial Instruments and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

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.

Cash and cash equivalents are carried at fair value using a level 1 fair value measurement. The carrying value of accounts receivable, accounts payable, customer deposits and loans payable approximate their fair value due to the short-term nature of these instruments and are recorded at amortised cost.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature,

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involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

(b) 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 exposure to credit risk is in its cash and accounts receivables. Cash is held with major banks in Canada, which are high credit quality financial institutions as determined by rating agencies. The carrying amount of financial assets represents the maximum credit exposure.

Accounts receivable consists of trade receivables and input tax credits. The following table represents the customers that represented 10% or more of total trade receivables as of:

	March 31, 2021	March 31 2020
Customer A	-	47%
Customer B	-	16%
Customer C	-	14%

(c) Currency Risk

The Company's functional currencies are the Canadian dollar and the Polish zloty. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's head office and some operating expenses are denominated in Canadian dollars. The Company's revenue and a large portion of operating expenses were denominated in Polish zloty. As of March 31, 2020, the Company had disposed of five of its operating subsidiaries and only had remaining activities in Canada subsequent to March 31, 2020. Accordingly the Company is currently not subject to foreign currency risk from March 31, 2020. The Company managed its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables where possible. Management relied on the natural hedge created by this matching process and thus has chosen not to otherwise hedge its foreign exchange risk. Foreign exchange risk is assessed as low as at March 31, 2021 and June 30, 2020.

(d) Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates and its short-term term deposits at prescribed market rates. The fair value of the Company's cash is not significantly affected by changes in short-term interest rates. The interest expenses accrued for loans payable and convertible debentures is subject to movement in interest rates (Notes 4 and 8). Interest rate risk is assessed as low.

(e) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. At March 31, 2021, the Company's cash balance of 367,201 is able to settle current liabilities of \$114,868. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Accounts payable, loans payable and accrued liabilities and amounts payable to related parties are all current. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives. Liquidity risk is assessed as high.

11. Segmented information

The Company had one operating segment which is manufacturing, marketing, and distributing softwood pellets and shavings for consumer and industrial customers, which was disposed during the year ended June 30, 2020 (see Note 2(a)). There is no revenue during the nine months ended March 31, 2021. For the nine months ended March 31, 2020, all revenue were generated in Poland.

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12. Contingencies

Civil Claim against the Company

On July 22, 2019, the Company served with a notice of civil claim, filed on July 11, 2019 with the Supreme Court of British Columbia, by Plaintiffs under the Class Proceedings Act, RSBC 1996, c 50, naming the Company as a defendant along with 86 additional defendants, in connection with allegations of the inappropriate use of the exemption from prospectus requirements contained in Section 2.12 of National Instrument 45-106 Prospectus Exemptions, and the disclosure records of the Company in respect of distributions of securities to consultants using such exemption. Honourable Madam Justice Adair has been assigned as the Judicial Management Judge in the above noted matter under the Class Proceedings Act. As of the date of approval of the financial statements, no legal decision has been made.

The Company also had a regulatory hearing submission before the B.C. Securities Commission (“BCSC”) in respect of the allegation of misuse of the exemption from prospectus requirements contained in section 2.12 of National Instrument 45-106 and connected agreements with consultants of the Company. On April 29, 2021, BCSC filed a Notice of Discontinuance in the Supreme Court of British Columbia whereby proceedings against the Company were discontinued.

13. Subsequent Events

On May 6, 2021, the Company granted incentive stock options to purchase an aggregate amount of 600,000 common shares at an exercise price of \$0.15 per share for a period of five (5) years from issuance to certain directors, officers and consultants in accordance with the provisions of its rolling incentive stock option plan. The grant of incentive stock options is subject to the policies of and acceptance by the Canadian Securities Exchange.