

Aether Catalyst Solutions, Inc.

Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2018 and 2017

Corporate Head Office

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Independent Auditor's Report

To the Shareholders of Aether Catalyst Solutions, Inc.

Opinion

We have audited the financial statements of Aether Catalyst Solutions, Inc. ("the Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017 and the statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
April 29, 2019**

Aether Catalyst Solutions, Inc.
Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	\$ 334,942	\$ 3,881
Prepaid	15,890	-
GST receivable	10,236	11,257
	361,068	15,138
Equipment (Note 3)	28,480	13,051
	\$ 389,548	\$ 28,189
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 108,055	\$ 152,283
Loans payable (Note 5)	30,010	11,253
	138,065	163,536
Shareholders' equity (deficiency)		
Share capital (Note 6)	1,452,413	740,684
Subscriptions received in advance (receivable) (Note 6)	(450)	15,000
Deficit	(1,200,480)	(891,031)
	251,483	(135,347)
	\$ 389,548	\$ 28,189

Nature and continuance of operations (Note 1)

Commitment (Note 10)

Subsequent event (Note 12)

APPROVED ON BEHALF OF THE DIRECTORS:

"Paul Woodward" Director
Paul Woodward

"Jason Moreau" Director
Jason Moreau

These accompanying notes form an integral part of these financial statements.

Aether Catalyst Solutions, Inc.
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	For the year ended December 31, 2018	For the year ended December 31, 2017
Expenses		
Amortization (Note 3)	\$ 6,255	\$ 4,122
Consulting fees (Note 7)	46,385	126,050
Interest	4,697	7,526
Office, supplies and miscellaneous	20,793	22,814
Professional fees	60,106	24,364
Rent	55,988	59,644
Travel	1,407	-
Wages and benefits (Note 7)	209,588	305,326
	405,219	549,846
Other income		
Grants and government tax credits	(95,770)	(165,582)
Net loss and comprehensive loss for the year	\$ (309,449)	\$ (384,264)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares Outstanding – basic and diluted	36,449,578	29,349,944

These accompanying notes form an integral part of these financial statements.

Aether Catalyst Solutions, Inc.
Statement of Changes in Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of shares	Share Capital	Subscriptions received in advance (receivable)	Deficit	Total
Balance, December 31, 2016	5,000,000	\$ 100	\$ -	\$ (506,767)	\$ (506,667)
Shares issued for cash	1,692,483	101,549	-	-	101,549
Shares issued to settle debts	23,701,742	474,035	-	-	474,035
Shares issued for services	2,750,000	165,000	-	-	165,000
Subscriptions received in advance	-	-	15,000	-	15,000
Loss for the year	-	-	-	(384,264)	(384,264)
Balance, December 31, 2017	33,144,225	740,684	15,000	(891,031)	(135,347)
Shares issued for cash	7,826,987	705,729	(15,450)	-	690,279
Shares issued for debt settlement	100,000	6,000	-	-	6,000
Loss for the year	-	-	-	(309,449)	(309,449)
Balance, December 31, 2018	41,071,712	\$ 1,452,413	\$ (450)	\$ (1,200,480)	\$ 251,483

These accompanying notes form an integral part of these financial statements.

Aether Catalyst Solutions, Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

	For the year ended December 31, 2018	For the year ended December 31, 2017
Cash flows from operating activities		
Net loss for the year	\$ (309,449)	\$ (384,264)
Changes in non-cash items:		
Amortization	6,255	4,122
Shares issued for services	-	165,000
Changes in non-cash working capital items:		
GST receivable	1,021	3,563
Prepaid	(15,890)	-
Accounts payable and accrued liabilities	(38,228)	80,253
Cash used in operating activities	(356,291)	(131,326)
Cash flows from investing activities		
Purchase equipment	(21,684)	-
Cash provided by financing activities	(21,684)	-
Cash flows from financing activities		
Proceeds from issuance of shares, net of share issue costs	690,279	101,549
Subscriptions received in advance	-	15,000
Proceeds from loans	51,757	58,591
Repayment of loans	(33,000)	(47,291)
Cash provided by financing activities	709,036	127,849
Change in cash	331,061	(3,477)
Cash, beginning of the year	3,881	7,358
Cash, end of the year	\$ 334,942	\$ 3,881
Supplementary cash flow information		
Non-cash financing activities		
Shares issued for debt settlement	\$ 6,000	\$ 474,035
Cash paid for interest	\$ -	\$ -

These accompanying notes form an integral part of these financial statements.

Aether Catalyst Solutions, Inc.**Notes to the Financial Statements**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Aether Catalyst Solutions, Inc. (“Aether” or the “Company”) was incorporated under the British Columbia Business Corporations Act (“BCBCA”) on July 8, 2011. The Company’s principal business activity is commercializing patent pending catalyst technology, first for use in automotive emissions abatement.

On December 21, 2018, the Company completed a share consolidation on the basis of 2 old shares for 1 new share. These financial statements reflect that share consolidation.

These financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and/or obtaining additional financing.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, 12 months from December 31, 2018. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, as explained in the following paragraph.

The Company has sustained losses from operations and does not have sufficient cash to finance its current plans for at least 12 months from the date of this document. The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional financing through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation**Statement of compliance

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. These financial statements are prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

These financial statements were approved for issuance by the Company’s Board of Directors on April 29, 2019.

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Boards (“IASB”).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments when applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Aether Catalyst Solutions, Inc.
Notes to the Financial Statements
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

- i) The ability of the Company to continue as a going concern.

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

Income taxes

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements.

Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax assets and liabilities, and tax planning initiatives.

Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and highly liquid short-term investments in high interest saving accounts which can be withdrawn at any time, which, in the opinion of management, is subject to an insignificant risk of changes in value. As at December 31, 2018 and 2017, the Company held only cash.

Aether Catalyst Solutions, Inc.
Notes to the Financial Statements
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Financial Instruments

Financial assets are classified at initial recognition as either: measured at amortized cost, Fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Aether Catalyst Solutions, Inc.
Notes to the Financial Statements
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Financial Assets and Liabilities	IAS 39 Classification (Measurement)	IFRS 9 Classification and Measurement
Cash	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Loans payable	Other financial liabilities (amortized cost)	Amortized cost

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Government Contributions

Government funding of eligible research and development expenditures is recognized when there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant will be received. The Company presents the grant in the statement of comprehensive loss. Tax credits are recognized in the statement of comprehensive loss when received.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The operating segment's operating result is reviewed regularly by the Company's management, including the Chief Executive Officer, to make decisions about resources to be allocated to the segment, assess its performance, and for which discrete financial information is available.

Aether Catalyst Solutions, Inc.**Notes to the Financial Statements**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Equipment**

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Equipment is depreciated over its estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is recognized using the following rate and method:

Equipment	straight-line over 5 years
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Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate. Plant and equipment costs are not amortized until the asset is available for use.

Share capital

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. The Company's common shares are classified as equity instruments.

Commissions paid to agents, and other directly attributable share issuance costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

When units are issued during a private placement, which include both common shares and share purchase warrants, the warrants are valued by comparing the total unit price to the fair value of the shares on the day of the announcement of the private placement. Any premium above the fair value of the shares issued would be allocated to the warrants and credited to the warrant reserve.

Basic loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Where equity settled share purchase options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Newly adopted accounting policies

The Company adopted the following new IFRSs on January 1, 2018. The adoption did not have any significant effect on the financial statements.

IFRS 9 – Financial Instruments

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments ("IFRS 9"). This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities. All financial assets not classified at amortized cost or FVOCI are measured at FVTPL.

Aether Catalyst Solutions, Inc.
Notes to the Financial Statements
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted accounting policies (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVTOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

The requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

IFRS 15 – Revenue from Contracts with Customers

New standard IFRS 15, Revenue from Contracts with Customers provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

Future accounting pronouncement

The Company has not applied the following new or revised standards and amendments that have been issued but are not yet effective for the Company's 2018 reporting periods:

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17 - Leases and its associated interpretative guidance, including IFRIC 4 and SIC 15. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a non-lease component on the basis of whether the customer controls the specific asset. For those contracts that are or contain a lease, IFRS 16 introduces significant changes for lessees to the accounting for contracts that are or contain a lease, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases less than 12 months in duration or leases of low value assets.

Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

Aether Catalyst Solutions, Inc.**Notes to the Financial Statements**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Future accounting pronouncement (continued)**

The Company plans to apply IFRS 16 at the date it becomes effective. The Company does not intend to bring short-term leases (contracts with terms that end within 12 months of the mandatory transition date) or low value leases on balance sheet. Costs for these items will continue to be expensed directly to the Consolidated Income Statements.

The Company is currently evaluating the impact IFRS 16 is expected to have on its financial statements and will adopt IFRS 16 when it becomes effective.

3. EQUIPMENT

	Total
Cost	
Balance, December 31, 2016 and 2017	\$ 20,607
Additions	21,684
Balance, December 31, 2018	\$ 42,291
Amortization	
Balance, December 31, 2016	\$ 3,434
Amortization	4,122
Balance, December 31, 2017	7,556
Amortization	6,255
Balance, December 31, 2018	\$ 13,811
Net Book Value, December 31, 2017	\$ 13,051
Net Book Value, December 31, 2018	\$ 28,480

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company are broken down as follows:

	December 31, 2018	December 31, 2017
Trade payables	\$ 19,227	\$ 58,327
Accrued liabilities	37,350	15,000
Due to government	4,170	32,126
Due to related parties (Note 7)	47,308	46,830
Total	\$ 108,055	\$ 152,283

Aether Catalyst Solutions, Inc.**Notes to the Financial Statements**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

5. LOANS PAYABLE

During the year ended December 31, 2018, the Company received non-interest bearing loans with no fixed terms of repayment totaling \$51,757. The Company repaid \$33,000 of the loan payable during the year ended December 31, 2018. There is a balance of \$27,757 remaining at December 31, 2018.

During the year ended December 31, 2017, the Company:

- i) entered into a \$38,791 unsecured promissory note bearing 12% annual simple interest and a four month repayment term. The Company repaid the loan in full during the year ended December 31, 2017, including interest of \$2,915 and a loan bonus of \$3,103.
- ii) received non-interest bearing unsecured loans with no fixed terms of repayment totaling \$15,800. The Company repaid \$8,500 during the year ended December 31, 2017 and \$5,000 during the year ended December 31, 2018. There is a balance of \$2,300 remaining at December 31, 2018.
- iii) received loans from a director and officer, and a company with common directors totaling \$4,000. The loans are unsecured, non-interest bearing, have no fixed terms of repayment and are outstanding at December 31, 2017. The Company repaid the full \$4,000 during the year ended December 31, 2018.

6. SHARE CAPITAL**Authorized**

Unlimited common shares without par value

Issued

During the year ended December 31, 2018, the Company:

- i) issued 1,826,987 common shares at a price of \$0.06 per share for total proceeds of \$109,619. \$15,000 was received during the year ended December 31, 2017. The Company paid \$1,420 in finders fee.
- ii) issued 6,000,000 common shares at a price of \$0.10 per share for total proceeds of \$600,000 of which \$450 remained receivable at December 31, 2018. Each unit consists of 1 share and 1 share purchase warrant exercisable at \$0.15 to purchase 1 share for 18 months. The Company paid \$2,470 in finders fee.
- iii) issued 100,000 common shares at a price of \$0.06 per share to settle debt of \$6,000.

During the year ended December 31, 2017, the Company:

- i) issued 1,692,483 common shares at a price of \$0.06 per share for total proceeds of \$101,549.
- ii) issued 23,701,742 common shares at a price of \$0.02 per share to settle debts of \$474,035.
- iii) issued 2,750,000 common shares valued at \$0.06 per share for consulting fees and wages of \$165,000.

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6. SHARE CAPITAL (continued)

Warrants

A summary of changes in warrants during the year is as follows:

	Number of Warrants	Weighted average exercise price
Outstanding, December 31, 2016 and 2017	-	\$ -
Issued	3,000,000	0.15
Outstanding, December 31, 2018	3,000,000	\$ 0.15

The following warrants were outstanding at December 31, 2018:

Number of Warrants	Exercise Price	Expiry Date
415,000	\$0.15	December 21, 2019
900,000	\$0.15	February 18, 2020
450,000	\$0.15	February 25, 2020
1,235,000	\$0.15	April 20, 2020
3,000,000		

7. RELATED PARTY TRANSACTIONS

	Year ended December 31, 2018	Year ended December 31, 2017
Transactions with Key Management Personnel		
Consulting fees paid to a director, officers, a company with common directors and a company owned by a director and officer	\$ 136,000	\$ 112,050

As at December 31, 2018, accounts payable and accrued liabilities include \$47,308 (December 31, 2017 - \$46,830) owing to a company owned by a director, officers and companies with common directors. The amounts are unsecured, non-interest bearing and have no specific terms of repayment.

As at December 31, 2018, loans payable include \$53 (December 31, 2017 - \$8,953) owing to a director and companies with common directors. The amounts are unsecured, non-interest bearing and have no specific terms of repayment.

During the year ended December 31, 2017, the Company:

- i) issued 2,092,500 shares to officers and a director for consulting fees and wages of \$125,550.
- ii) issued 22,706,664 shares to a director and a company with common directors to settle debt of \$454,133.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value Hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2018, the Company is not exposed to any significant credit risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rate. The Company does not believe it is exposed to significant currency risk as funds are held in Canadian currency and there are no significant foreign exchange currency transactions.

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 is exposed to the risk that the value of financial instruments will change due to movement in market interest rates. The Company does not hold interest-bearing debt with long-term maturities and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the Company's financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity risk through equity financing obtained through the sale of common shares and the exercise of warrants and options.

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9. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

10. COMMITMENT

The Company has entered into lease agreement for a promise expiring February 29, 2024.

Future minimum annual lease payments for the next five years and beyond are as follows:

2019	\$	29,077
2020		31,721
2021		32,644
2022		32,727
2023		32,727
2024		5,455
	\$	<u>164,351</u>

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2018		2017	
Net loss for the year before income taxes	\$	(309,449)	\$	(384,264)
Statutory income tax rate		27 %		26 %
Income tax benefit computed at statutory tax rate		(83,551)		(99,909)
Items not deductible for income tax purposes		55		28,659
Effect of tax rate change		-		(7,808)
True up		(26,206)		-
Change in unrecognized benefit of deferred income tax assets		109,702		79,058
Deferred income tax expense	\$	-	\$	-

The significant components of the Company's deferred income tax assets at December 31, 2018 and 2017 are presented below:

	2018		2017	
Non-capital losses carried forward	\$	265,000	\$	172,000
Capital assets		4,000		2,000
SR&ED pool and ITC		52,000		37,000
Unrecognized deferred income tax assets	\$	321,000	\$	211,000

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FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

11. INCOME TAXES (continued)

The Company has non-capital losses of \$981,000 (2017 - \$637,000) available for carry-forward to reduce future years' income for income tax purposes, if not utilized, will expired between 2033 and 2038.

12. SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2018, the Company:

- i) entered into a short term promissory note for the amount of \$10,000 with a non-arm's length creditor. Terms include interest payable at 24% per annum, calculated yearly and payable upon maturity. Subsequently, the loan was repaid in full.