Aether Catalyst Solutions, Inc.

Consolidated financial statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

Corporate Head Office

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Independent Auditors' Report

To the Shareholders of Aether Catalyst Solutions, Inc.

Opinion

We have audited the consolidated financial statements of Aether Catalyst Solutions, Inc. (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

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

- Management's Discussion and Analysis

Our opinion on the consolidated 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 consolidated 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 consolidated 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 auditors' 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 auditors' report. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Diana Huang.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
April 28, 2023

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

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash	$ 63,894	$ 588,691
Receivables (Note 8)	47,722	30,513
Prepaid expenses	15,493	24,018
Total current assets	127,109	643,222
Non-current assets		
Property, plant and equipment (Note 3)	55,200	47,334
Right-of-use asset (Note 6)	38,694	71,860
Total assets	$ 221,003	$ 762,416
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 4 and 8)	$ 64,883	$ 76,141
Loan payable (Note 5)	40,000	-
Lease liability (Note 6)	43,182	36,836
Total current liabilities	148,065	112,977
Non-current liabilities		
Long-term loan payable (Note 5)	-	40,000
Long-term lease liability (Note 6)	7,753	50,935
Total liabilities	155,818	203,912
Shareholders' equity		
Share capital (Note 7)	2,676,341	2,651,897
Contribution surplus (Note 7)	563,498	544,734
Subscription received in advance	720	720
Deficit	(3,175,374)	(2,638,847)
Total equity	65,185	558,504
Total liabilities and equity	$ 221,003	$ 762,416

Nature of operations and going concern (Note 1)
Commitment (Note 11)
Subsequent event (Note 7 and 14)

APPROVED ON BEHALF OF THE DIRECTORS:

"Paul Woodward"	Director	*"Jason Moreau"*	Director
Paul Woodward		Jason Moreau	

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

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

	For the year ended December 31, 2022	2021
Expenses		
Depreciation (Notes 3 and 6)	$ 57,229	$ 70,626
Consulting fees (Note 8)	97,800	99,860
Interest and accretion (Note 6)	11,419	17,158
Office, supplies and miscellaneous	84,502	69,226
Filing and issuer fees	17,663	20,334
Professional fees	65,676	42,376
Rent	7,671	5,811
Share-based compensation (Notes 7 and 8)	24,808	103,000
Shareholders communication	32,862	-
Wages and benefits (Note 8)	241,005	186,378
	(640,635)	(614,769)
Other income		
Grants and government tax credits	53,508	145,659
Gain on share for debt (Note 4)	600	-
Net loss from continuing operations	(586,527)	145,659
Net gain from discontinued operations (Note 12)	(50,000)	-
Total comprehensive loss for the year	$ (536,527)	$ (469,110)
Loss per share – basic and diluted – continuing operations	$ (0.01)	$ (0.01)
Income per share – basic and diluted – discontinued operations	$ 0.00	$ -
Weighted average number of shares outstanding – basic and diluted	49,489,027	46,220,930

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

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

	Number of shares	Share Capital	Subscription received in Advance	Contribution Surplus	Deficit	Total
Balance, December 31, 2020	**43,082,019**	**$ 1,743,546**	**$ -**	**$ 317,000**	**$ (2,169,737)**	**$ (109,191)**
Shares issued for private placement	6,160,050	1,078,009	-	-	-	1,078,009
Shares issuance cost – cash	-	(84,176)	-	-	-	(84,176)
Shares issuance cost – broker's warrants	-	(149,000)	-	149,000	-	-
Shares issued for warrants	195,725	63,518	-	(24,266)	-	39,252
Subscription received in advance	-	-	720	-	-	720
Share-based compensation	-	-	-	103,000	-	103,000
Loss for the year	-	-	-	-	(469,110)	(469,110)
Balance, December 31, 2021	**49,437,794**	**2,651,897**	**720**	**544,734**	**(2,638,847)**	**558,504**
Shares issued for option exercise	100,000	16,044	-	(6,044)	-	10,000
Share issued for debt	120,000	8,400	-	-	-	8,400
Share-based compensation	-	-	-	24,808	-	24,808
Loss for the year	-	-	-	-	(536,527)	(536,527)
Balance, December 31, 2022	**49,657,794**	**$ 2,676,341**	**$ 720**	**$ 563,498**	**$ (3,175,374)**	**$ 65,185**

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

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

	For the year ended December 31, 2022	2021
Cash flows from operating activities		
Net loss for the year	$ (536,527)	$ (469,110)
Less: net gain from discontinued operations	(50,000)	-
Changes in non-cash items:		
Accretion of lease liability	11,419	16,832
Depreciation	57,229	70,626
Share-based compensation	24,808	103,000
Gain on share for debt	(600)	-
Changes in non-cash working capital items:		
Receivables	(17,209)	10,462
Prepaid	8,525	(8,128)
Accounts payable and accrued liabilities	(2,258)	(151,018)
Cash used in operating activities – continuing operations	(504,613)	(427,336)
Cash provided by operating activities – discontinued operations	29,558	-
Cash used in operating activities	(475,055)	(427,336)
Cash flows from investing activities		
Proceeds from sale of subsidiary	50,000	-
Purchase of property, plant and equipment	(31,929)	-
Cash provided by investing activities – continuing operations	18,071	-
Cash used in investing activities – discontinued operations	(3,471)	-
Cash provided by investing activities	14,600	-
Cash flows from financing activities		
Proceeds from issuance of shares, net of share issue costs	-	993,833
Subscriptions received in advance	-	720
Lease payments	(48,255)	(48,172)
Shares issued – warrants exercised	10,000	39,252
Repayment of loans	-	(15,015)
Cash provide by (used in) financing activities – continuing operations	(38,255)	970,618
Cash provide by financing activities – discontinued operations	(26,087)	-
Cash provide by (used in) financing activities	(64,342)	970,618
Change in cash	(524,797)	543,282
Cash, beginning of the year	588,691	45,409
Cash, end of the year	$ 63,894	$ 588,691
Supplementary cash flow information		
Cash paid for interest	$ 11,419	$ -
Fair value of brokers warrants	$ -	$ 149,000
Fair value of brokers warrants exercised	$ 6,044	$ 24,266

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

These consolidated 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, 2022. 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.

In March 2020, the COVID-19 pandemic has caused significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. In late February 2022, Russia launched a large scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including Canada. Consequently, the Company has limited access to capital and financing which is the primary source of cash for the Company. While the Company continues to monitor the investment portfolio and assess the impact that these events will have on its business activities, the extent of the effect of these events on the Company's future activities is uncertain.

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

These consolidated financial statements were approved for issuance by the Company's Board of Directors on April 28, 2023.

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

The preparation of consolidated 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 consolidated financial statements are disclosed below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

On December 8, 2021, the Company incorporated a 100% owned subsidiary, Cap Clean Energy Corp. ("Cap Clean") and sold 100% of its interest in Cap Clean on September 30, 2022. These consolidated financial statements of the Company include the transactions and its subsidiary, Cap Clean from the date of incorporation to the date of sale.

Use of estimates and judgments

The preparation of these consolidated 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 consolidated 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 consolidated financial statements include, but are not limited to, the following:

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

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, 2022 and 2021, the Company held only cash.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets are classified at initial recognition as: 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.

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.

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

Financial Assets and Liabilities	IFRS 9 Classification and Measurement
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost
Lease liability	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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 FVTOCI. 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 profit or loss. Tax credits are recognized in profit or 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.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Property, plant and 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 property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and 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 consolidated 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
Leasehold improvement	straight-line over remaining lease term

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amount of the Company's property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of net loss and comprehensive loss.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

New accounting standards

Accounting standards not yet effective

<u>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</u>

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023 and are expected to have no material impact on the Company.

(Expressed in Canadian dollars)

3. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Leasehold Improvements	Total
Cost			
Balance, December 31, 2020 and 2021	$ 79,558	$ 52,558	$ 132,116
Additions	14,181	17,748	31,929
Balance, December 31, 2022	$ 93,739	$ 70,306	$ 164,045
Depreciation			
Balance, December 31, 2020	$ 40,100	$ 7,222	$ 47,322
Depreciation	15,911	21,549	37,460
Balance, December 31, 2021	56,011	28,771	84,782
Depreciation	9,774	14,289	24,063
Balance, December 31, 2022	$ 65,785	$ 43,060	$ 108,845
Net Book Value, December 31, 2021	$ 23,547	$ 23,787	$ 47,334
Net Book Value, December 31, 2022	$ 27,954	$ 27,246	$ 55,200

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2022	December 31, 2021
Trade payables	$ 46,975	$ 55,852
Accrued liabilities	14,100	15,600
Due to government	3,808	4,689
Total	$ 64,883	$ 76,141

During the year ended December 31, 2022, the Company settled an outstanding payable of $9,000 in consideration for 120,000 common shares of the Company, of which resulted in a gain of $600 (Note 7).

5. LOAN PAYABLE

During the year ended December 31, 2020, the Company received an interest-free loan of $60,000 through Canada Emergency Business Account. Repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of $20,000. If the balance is not paid by December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, effective January 1, 2024. During the year ended December 31, 2020, $20,000 was recognized as a gain. As of December 31, 2022, the balance owing was $40,000 (2021 - $40,000).

(Expressed in Canadian dollars)

6. LEASES

The weighted average incremental borrowing rate applied to lease liabilities is 16%.

For the year ending December 31, 2022, depreciation of the right of use asset was $33,166 (2021 - $33,166). The right of use asset is depreciated on a straight-line basis over the term of the lease.

Right of use asset, December 31, 2020	$	105,026
Depreciation of right of use asset		(33,166)
Right of use asset, December 31, 2021		71,860
Depreciation of right of use asset		(33,166)
Right of use asset, December 31, 2022	$	38,694

For the year ending December 31, 2022, finance charges on the lease liability were $11,419 (2021 - $16,832). The lease terms matures on February 29, 2024.

Balance, December 31, 2020	$	119,111
Lease payments		(48,172)
Accretion		16,832
Balance, December 31, 2021		87,771
Accretion		11,419
Lease payments		(48,255)
Balance, December 31, 2022	$	50,935
Current lease liability	$	43,182
Long-term lease liability		7,753
Total lease liability at December 31, 2022	$	50,935

7. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Issued

During the year ended December 31, 2022, the Company:

i) issued 100,000 common shares for total proceeds of $10,000 for options exercised and reallocated $6,044 of option reserve to share capital.

ii) issued 120,000 common shares with a fair value of $8,400 to settle an outstanding payable of $9,000 (Note 4).

During the year ended December 31, 2021, the Company:

i) completed its non-brokered private placement and issued 6,160,050 units at a price of $0.175 per unit for gross aggregate proceeds of $1,078,009. Each unit consists of one common share and one common share purchase warrant exercisable at $0.225 for a period of 24 months.

   The Company paid finder's fees of $84,176 and issued 589,997 finders' warrants (valued at $149,000), entitling the holder thereof to purchase one unit of the Company at a price of $0.175 per warrant share for a period of 24 months. Each unit will consist of one common share and one common share purchase warrant exercisable at $0.225 for a period of 24 months.

ii) issued 195,725 shares for total proceeds of $39,252 for warrants exercised and reallocated $24,266 of warrant reserve to share capital.

Escrow shares

On March 31, 2019, the Company entered into a share escrow agreement where a total of 34,673,338 shares were initially held in escrow to be released according to a pre-determined release schedule. As at December 31, 2022, there were Nil shares in escrow (December 31, 2021 - 5,200,998).

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Options

A summary of changes in options for the years ended December 31, 2022 and 2021 as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2020	1,750,000	$ 0.20
Granted	1,350,000	0.10
Cancelled	(850,000)	0.18
Outstanding, December 31, 2021	2,250,000	0.15
Granted	350,000	0.10
Exercised	(100,000)	0.10
Outstanding, December 31, 2022	2,500,000	$ 0.14

The following options were outstanding and exercisable at December 31, 2022:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
1,100,000	1,100,000	$0.10	January 8, 2023*
1,050,000	1,050,000	$0.20	November 28, 2024
350,000	275,000	$0.10	November 4, 2025
2,500,000	2,425,000		

**subsequently expired*

Share-based compensation

During the year ended December 31, 2022, the Company granted 350,000 stock options valued at $28,600 to certain employees of the Company. The options are exercisable at a price of $0.10 per share expiring on November 4, 2025. The options vest over 1 year, of which 250,000 options are vested at grant date, and 25,000 options vest per quarter over the 1 year period. The Company recognized $24,808 for the vested portion in share-based compensation.

During the year ended December 31, 2021, the Company granted 1,350,000 stock options valued at $103,000 to certain directors, officers, and employees of the Company. The options are exercisable at a price of $0.10 per share expiring on January 8, 2023.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Options (continued)

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the years ended December 31, 2022 and 2021:

	Year ended December 31, 2022	Year ended December 31, 2021
Risk-free interest rate	4.08%	0.18%
Expected life of options	3 years	2 years
Expected annualized volatility	150%	167%
Exercise price	$0.10	$0.10
Expected dividend rate	0.00%	0.00%

Warrants

A summary of changes in warrants for the years ended December 31, 2022 and 2021 as follows:

	Number of Warrants	**Weighted Average Exercise Price**
Outstanding, December 31, 2020	650,653	$ 0.25
Granted	6,255,775	0.22
Exercised	(100,000)	0.23
Expired	(650,653)	0.25
Outstanding, December 31, 2021 and December 31, 2022	6,155,775	$ 0.22

The following warrants were outstanding at December 31, 2022:

Number of Warrants	**Exercise Price**	**Expiry Date**
4,088,750	$0.225	June 23, 2023
2,067,025	$0.225	July 14, 2023
6,155,775		

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Brokers Warrants

During the year ended December 31, 2021, the Company:

i) granted 400,947 brokers warrants valued at $101,000 pursuant to the first tranche of private placement. The warrants are exercisable into units at a price of $0.175 per unit expiring on June 23, 2023. Each unit will consist of a common share and a warrant exercisable at a price of $0.225 for a period of 24 months.

ii) granted 189,050 brokers warrants valued at $48,000 pursuant to the final tranche of private placement. The warrants are exercisable into units at a price of $0.175 per unit expiring on July 14, 2023. Each unit will consist of a common share and a warrant exercisable at a price of $0.225 for a period of 24 months.

A summary of changes in brokers warrants for the years ended December 31, 2022 and 2021 as follows:

	Number of Brokers Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2020	-	$ -
Granted	589,997	0.18
Exercised	(95,725)	0.18
Outstanding, December 31, 2022 and 2021	494,272	$ 0.18

The following brokers warrants were outstanding at December 31, 2022:

Number of Broker Warrants	Exercise Price	Expiry Date
381,747	$0.175	June 23, 2023
112,525	$0.175	July 14, 2023
494,272		

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of brokers warrants granted for the years ended December 31, 2022 and 2021:

	Year ended December 31, 2022	Year ended December 31, 2021
Risk-free interest rate	-	0.40%
Expected life of options	-	2 years
Expected annualized volatility	-	159%
Exercise price	-	$0.20
Expected dividend rate	-	0.00%

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

		Year ended December 31, 2022		Year ended December 31, 2021
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	$	60,000	$	60,000
Wages paid to officers	$	85,798	$	64,500
Share-based compensation to officers and directors	$	-	$	83,925

As at December 31, 2022, receivables include $35,400 (2021 – $6,000) owing from companies with common directors.

9. 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.

Cash is measured under the level 1 hierarchy.

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, 2022, the Company is not exposed to any significant credit risk.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

10. 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, 2022. The Company is not subject to externally imposed capital requirements.

11. COMMITMENT

The Company has entered into lease agreement for a premise expiring February 29, 2024. Future minimum annual lease payments for the next two years and beyond are as follows:

2023	$ 48,255
2024	8,043
	$ 56,298

(Expressed in Canadian dollars)

12. SALE OF INTEREST IN SUBSIDIARY

On September 30, 2022, the Company sold a 100% interest in its subsidiary, Cap Clean, for proceeds of $50,000. Management determined that Cap Clean represented a separate major line of business and was a separate cash-generating unit. The disposal of Cap Clean meets the requirement of presenting discontinued operations under IFRS 5 Non-current assets held of sale and discontinued operations.

The related assets and liabilities that has been disposed are as follows:

		September 30, 2022
Proceeds from disposal of discontinued operations	$	50,000
Cash		(197,654)
Receivables and prepaid		(13,898)
Right of use asset and equipment		(84,704)
Accounts payable and accrued liabilities		300,495
Lease liability		83,004
Advances		317,889
Net liabilities from discontinued operations		405,132
Gain on sale of discontinued operations		455,132
Expenses and operating loss from discontinued operations		(405,132)
Net gain from discontinued operations	**$**	**50,000**

13. INCOME TAXES

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

		2022		2021
Net loss for the year before income taxes	$	(536,527)	$	(469,110)
Statutory income tax rate		27%		27%
Income tax recovery computed at statutory tax rate	$	(144,862)	$	(126,660)
Items not deductible for income tax purposes		6,698		27,912
True up		-		5,400
Changes in unrecognized benefit of deferred income tax assets		138,164		93,348
Deferred income tax expense	$	-	$	-

The significant components of the Company's unrecognized temporary differences and unused tax losses are as follows:

	December 31, 2022	Expiry dates	December 31, 2021	Expiry dates
	$		$	
Non-capital losses	2,498,000	2032 - 2042	1,990,000	2032 -2041
Other	326,000	None	322,000	None
	2,824,000		2,312,000	

14. SUBSEQUENT EVENT

Subsequent to year ended December 31, 2022, the Company completed a non-brokered private placement and issued 4,000,000 units at a price of $0.055 per unit for gross aggregate proceeds of $220,000. Each unit consists of one common share in the capital of the Company and one-half a transferable share purchase warrant, with each warrant entitling the holder thereof to purchase one additional share at a price of $0.10 per warrant share for a period of twelve months from the date of closing of the private placement.

In connection with the private placement, the Company paid finder’s fees of $3,905.