

Aether Catalyst Solutions, Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Corporate Head Office

*Unit 104, 8337 Eastlake Drive
Burnaby, BC
V5A 4W2*

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Aether Catalyst Solutions, Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	As at March 31, 2023	As at December 31, 2022
ASSETS		
Current assets		
Cash	\$ 5,370	\$ 63,894
Receivables (Note 8)	45,268	47,722
Prepaid expenses	15,493	15,493
Total current assets	66,131	127,109
Non-current assets		
Property, plant and equipment (Note 3)	39,336	55,200
Right-of-use asset (Note 6)	30,402	38,694
Total assets	\$ 135,869	\$ 221,003
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 4 and 8)	\$ 90,640	\$ 64,883
Related party loan payable (Note 8)	29,000	-
Loan payable (Note 5)	40,000	40,000
Lease liability (Note 6)	40,774	43,182
Total current liabilities	200,414	148,065
Non-current liabilities		
Long-term lease liability (Note 6)	-	7,753
Total liabilities	200,414	155,818
Shareholders' equity (deficiency)		
Share capital (Note 7)	2,676,341	2,676,341
Contribution surplus (Note 7)	565,964	563,498
Subscription received in advance	720	720
Deficit	(3,307,570)	(3,175,374)
Total equity (deficiency)	(64,545)	65,185
Total liabilities and equity	\$ 135,869	\$ 221,003

Nature of operations and going concern (Note 1)

Commitment (Note 11)

Subsequent event (Note 13)

APPROVED ON BEHALF OF THE DIRECTORS:

<u>"Paul Woodward"</u>	Director	<u>"Jason Moreau"</u>	Director
Paul Woodward		Jason Moreau	

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

Aether Catalyst Solutions, Inc.
Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	For the three months ended	
	2023	March 31, 2022
Expenses		
Consulting fees (Note 8)	\$ 24,450	\$ 24,634
Depreciation (Notes 3 and 6)	24,156	14,511
Filing and issuer fees	2,947	5,754
Interest and accretion (Note 6)	1,903	3,396
Office, supplies and miscellaneous	10,084	27,109
Professional fees	11,350	17,704
Rent	1,526	1,390
Share-based compensation (Notes 7)	2,466	-
Wages and benefits (Note 8)	56,743	158,197
	(135,625)	(252,695)
Other income		
Other income	3,429	38,904
Net comprehensive loss for the period	\$ (132,196)	\$ (213,791)
Loss per share – basic and diluted – continuing operations	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted	49,657,794	46,220,930

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

Aether Catalyst Solutions, Inc.
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	Number of shares	Share Capital	Subscription received in Advance	Contribution Surplus	Deficit	Total
Balance, December 31, 2021	49,437,794	\$ 2,651,897	\$ 720	\$ 544,734	\$ (2,638,847)	\$ 558,504
Loss for the period	-	-	-	-	(213,791)	(213,791)
Balance, March 31, 2022	49,437,794	2,651,897	720	544,734	(2,852,638)	344,713
Shares issued for option exercise	100,000	16,044	-	(6,044)	-	10,000
Shares issued for debt	120,000	8,400	-	-	-	8,400
Share-based compensation	-	-	-	24,808	-	24,808
Loss for the period	-	-	-	-	(322,736)	(322,736)
Balance, December 31, 2022	49,657,794	2,676,341	720	563,498	(3,175,374)	65,185
Share-based compensation	-	-	-	2,466	-	2,466
Loss for the period	-	-	-	-	(132,196)	(132,196)
Balance, March 31, 2023	49,657,794	\$ 2,676,341	\$ 720	\$ 565,964	\$ (3,307,570)	\$ (64,545)

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

Aether Catalyst Solutions, Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	For the three months ended	
	2023	March 31, 2022
Cash flows from operating activities		
Net loss for the period	\$ (132,196)	\$ (213,791)
Changes in non-cash items:		
Accretion of lease liability	1,903	3,396
Depreciation	24,156	14,511
Share-based compensation	2,466	-
Changes in non-cash working capital items:		
Receivables	2,454	(22,809)
Prepaid	-	2,645
Accounts payable and accrued liabilities	25,757	117,612
Cash used in operating activities	(75,460)	(98,436)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(31,669)
Cash provided by investing activities	-	(31,669)
Cash flows from financing activities		
Lease payments	(12,064)	(12,064)
Loan proceeds	29,000	-
Cash provide by (used in) financing activities	16,936	(12,064)
Change in cash	(58,524)	(142,169)
Cash, beginning of the period	63,894	588,691
Cash, end of the period	\$ 5,370	\$ 446,522
Supplementary cash flow information		
Cash paid for interest	\$ 1,903	\$ 3,396

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

Aether Catalyst Solutions, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)
FOR THE PERIOD ENDED MARCH 31, 2023 AND 2022

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 condensed interim 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 March 31, 2023. 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 condensed interim 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 condensed interim 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 condensed interim consolidated financial statements were approved for issuance by the Company’s Board of Directors on May 29, 2023.

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), using policies consistent with International Financial Reporting Standards (“IFRS”), and as issued by the International Accounting Standards Boards (“IASB”).

The preparation of condensed interim 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.

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Notes to the Condensed Interim Consolidated Financial Statements
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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 condensed interim 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 condensed interim 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 condensed interim 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 March 31, 2023 and 2022, 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.

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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.

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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.

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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.

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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

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

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.

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3. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Leasehold Improvements	Total
Cost			
Balance, December 31, 2021	\$ 79,558	\$ 52,558	\$ 132,116
Additions	14,181	17,748	31,929
Balance, December 31, 2022 and March 31, 2023	\$ 93,739	\$ 70,306	\$ 164,045
Depreciation			
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
Depreciation	3,657	12,207	15,864
Balance, March 31, 2023	\$ 69,442	\$ 55,267	\$ 124,709
Net Book Value, December 31, 2022	\$ 27,954	\$ 27,246	\$ 55,200
Net Book Value, March 31, 2023	\$ 24,297	\$ 15,039	\$ 39,336

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2023	December 31, 2022
Trade payables	\$ 66,842	\$ 46,975
Accrued liabilities	18,750	14,100
Due to government	5,048	3,808
Total	\$ 90,640	\$ 64,883

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 March 31, 2023 the balance owing was \$40,000 (December 31, 2022 - \$40,000).

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6. LEASES

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

For the period ending March 31, 2023, depreciation of the right of use asset was \$8,292 (2022 - \$8,290). The right of use asset is depreciated on a straight-line basis over the term of the lease.

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
Depreciation of right of use asset		(8,292)
Right of use asset, March 31, 2023	\$	30,402

For the period ending March 31, 2023, finance charges on the lease liability were \$1,903 (2022 - \$3,396). The lease terms matures on February 29, 2024.

Balance, December 31, 2021	\$	87,771
Accretion		11,419
Lease payments		(48,255)
Balance, December 31, 2022		50,935
Accretion		1,903
Lease payments		(12,064)
Balance, March 31, 2023	\$	40,774
Current lease liability	\$	40,774
Long-term lease liability		-
Total lease liability at March 31, 2023	\$	40,774

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7. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Issued

During the period ended March 31, 2023, the Company had no share activity.

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).

Options

A summary of changes in options for the periods ended March 31, 2023 and 2022 as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2021	2,250,000	\$ 0.15
Granted	350,000	0.10
Cancelled	(100,000)	0.10
Outstanding, December 31, 2022	2,500,000	0.14
Expired	(1,100,000)	0.10
Outstanding, March 31, 2023	1,400,000	\$ 0.18

The following options were outstanding and exercisable at March 31, 2023:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
1,050,000	1,050,000	\$0.20	November 28, 2024
350,000	300,000	\$0.10	November 4, 2025
1,400,000	1,350,000		

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7. SHARE CAPITAL (continued)

Options (continued)

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. During the period ended March 31, 2023, the Company recognized \$2,466 (December 31, 2022 - \$24,808) for the vested portion in share-based compensation.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the period ended March 31, 2023 and year ended December 31, 2022:

	Period ended March 31, 2023	Year ended December 31, 2022
Risk-free interest rate	-	4.08%
Expected life of options	-	3 years
Expected annualized volatility	-	150%
Exercise price	-	\$0.10
Expected dividend rate	-	0.00%

Warrants

A summary of changes in warrants for the period ended March 31, 2023 and year ended December 31, 2022 as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2021	6,155,775	\$ 0.23
Granted	-	-
Outstanding, December 31, 2022 and March 31, 2023	6,155,775	\$ 0.23

The following warrants were outstanding at March 31, 2023:

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		

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7. SHARE CAPITAL (continued)

Brokers Warrants

A summary of changes in brokers warrants for the period ended March 31, 2023 and year ended December 31, 2022 as follows:

	Number of Brokers Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2021	494,272	\$ 0.18
Granted	-	-
Outstanding, December 31, 2022 and March 31, 2023	494,272	\$ 0.18

The following brokers warrants were outstanding at March 31, 2023:

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

8. RELATED PARTY TRANSACTIONS

	Period ended March 31, 2023	Period ended March 31, 2022
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	\$ 15,000	\$ 15,000
Wages paid to officers	\$ 24,552	\$ 22,500

As at March 31, 2023, accounts payable and accrued liabilities include \$12,697 (December 31, 2022 – \$352) 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 March 31, 2023, receivables include \$31,000 (December 31, 2022 – \$35,400) owing from companies with common directors.

As at March 31, 2023, loans payable included \$29,000 (December 31, 2022 – \$Nil) owing to companies with a director in common.

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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 March 31, 2023 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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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 period ended March 31, 2023. 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	\$ 36,192
2024	8,043
	<u>\$ 44,235</u>

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:

	<u>September 30, 2022</u>
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	<u>405,132</u>
Gain on sale of discontinued operations	455,132
Expenses and operating loss from discontinued operations	(405,132)
Net gain from discontinued operations	\$ 50,000

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13. SUBSEQUENT EVENT

Subsequent to period ended March 31, 2023, the Company

- i) 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.