Aether Catalyst Solutions, Inc.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

Corporate Head Office

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

Crowe MacKay LLP
1100 - 1177 West Hastings Street
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

Independent Auditor's 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, 2023 and December 31, 2022 and the consolidated statements of net loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 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 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

Auditor's 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 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 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 auditor's 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 auditor's 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, 2024

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

	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	$ 17,238	$ 63,894
Receivables (Note 8)	41,910	47,722
Prepaid expenses	7,548	15,493
Total current assets	66,696	127,109
Non-current assets		
Property, plant and equipment (Note 3)	24,463	55,200
Right-of-use asset (Note 6)	5,528	38,694
Total assets	$ 96,687	$ 221,003
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 4 and 8)	$ 156,522	$ 64,883
Loans payable (Notes 5 and 8)	100,284	40,000
Lease liability (Note 6)	7,753	43,182
Total current liabilities	264,559	148,065
Non-current liabilities		
Loans payable (Note 5)	60,000	-
Long-term lease liability (Note 6)	-	7,753
Total liabilities	324,559	155,818
Shareholders' equity (deficiency)		
Share capital (Note 7)	2,923,686	2,676,341
Contribution surplus (Note 7)	637,791	563,498
Subscription received in advance	720	720
Deficit	(3,790,069)	(3,175,374)
Total shareholders' equity (deficiency)	(227,872)	65,185
Total liabilities and shareholders' equity (deficiency)	$ 96,687	$ 221,003

Nature of operations and going concern (Note 1)
Commitment (Note 11)
Subsequent events (Notes 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, 2023	2022
Expenses		
Amortization (Notes 3 and 6)	$ 69,632	$ 57,229
Consulting fees (Note 8)	82,050	97,800
Filing and issuer fees	18,320	17,663
Interest and accretion (Notes 5 and 6)	9,427	11,419
Office, supplies and miscellaneous	45,444	84,502
Professional fees	71,890	65,676
Rent	10,366	7,671
Share-based compensation (Note 7 and 8)	74,293	24,808
Shareholder communication	1,980	32,862
Wages and benefits (Note 8)	227,007	241,005
	(610,409)	(640,635)
Other items		
Rental income	15,714	13,714
Grants and government tax credits	-	39,794
Gain on shares for debt (Notes 4 and 7)	-	600
Reversal of loan forgiveness (Note 5)	(20,000)	-
Net loss from continuing operations	(614,695)	(586,527)
Net gain from discontinued operations (Note 12)	-	50,000
Net loss and comprehensive loss for the year	$ (614,695)	$ (536,527)
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	52,572,931	49,489,027

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

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

	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)**	**$**	**558,504**
Shares issued for option exercise	100,000		16,044		-		(6,044)		-		10,000
Shares issued for debt	120,000		8,400		-		-		-		8,400
Share-based compensation	-		-		-		24,808		-		24,808
Loss for the year	-		-		-		-		(536,527)		(536,527)
Balance, December 31, 2022	**49,657,794**		**2,676,341**		**720**		**563,498**		**(3,175,374)**		**65,185**
Share issued for private placements	4,000,000		220,000		-		-		-		220,000
Share issue costs – cash	-		(3,905)		-		-		-		(3,905)
Shares issued for loan	625,000		31,250		-		-		-		31,250
Share-based compensation	-		-		-		74,293		-		74,293
Loss for the year	-		-		-		-		(614,695)		(614,695)
Balance, December 31, 2023	**54,282,794**	**$**	**2,923,686**	**$**	**720**	**$**	**637,791**	**$**	**(3,790,069)**	**$**	**(227,872)**

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, 2023	2022
Cash flows from operating activities		
Net loss for the year	$ (614,695)	$ (536,527)
Changes in non-cash items:		
Interest and accretion	9,427	11,419
Amortization	69,632	57,229
Share-based compensation	74,293	24,808
Gain on shares for debt	-	(600)
Reversal of loan forgiveness	20,000	-
Changes in non-cash working capital items:		
Receivables	5,812	(17,209)
Prepaid expenses	7,945	8,525
Accounts payable and accrued liabilities	91,639	(2,258)
Cash used in operating activities - continuing operations	(335,947)	(454,613)
Cash used in operating activities - discontinued operations	-	(20,442)
Cash used in operating activities	(335,947)	(475,055)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,729)	(31,929)
Cash used in investing activities - continuing operations	(5,729)	(31,929)
Cash provided by investing activities - discontinued operations	-	46,529
Cash provided by (used in) investing activities	(5,729)	14,600
Cash flows from financing activities		
Lease payments	(48,255)	(48,255)
Proceeds from loans	127,180	-
Proceeds from option exercise	-	10,000
Proceeds from private placement	220,000	-
Share issue costs – cash	(3,905)	-
Cash provided by (used in) financing activities - continuing operations	295,020	(38,255)
Cash used in financing activities - discontinued operations	-	(26,087)
Cash provided by (used in) financing activities	295,020	(64,342)
Change in cash	(46,656)	(524,797)
Cash, beginning of the year	63,894	588,691
Cash, end of the year	$ 17,238	$ 63,894
Supplementary cash flow information		
Non-cash financing activities		
Fair value of options exercises	$ -	$ 6,044
Shares issued for loans	$ 31,250	$ -
Shares issued for debt	$ -	$ 8,400

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, 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.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

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. MATERIAL 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 29, 2024.

These consolidated financial statements, including comparatives, have been prepared using policies consistent with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("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. MATERIAL 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 include the transactions of 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 estimates

Significant accounting estimates 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 discount rate used to evaluate the present value of the loan. The discount rate was determined by comparing debt issuances in similar companies, historical experience of the Company and by assessing macro-economic factors present in the market.

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and liabilities at fair value through profit or loss ("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.

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

The Company classified its financial instruments as follows:

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

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 due to the uncertainty associated with the collection.

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 warrants and credited to the warrant reserve.

2. MATERIAL 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 measured using an option pricing model, and is charged to profit or loss over the vesting period using the graded vesting method.

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. If the options expire or are forfeited, the corresponding amount previously recorded remains in reserves.

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

Accounting standards not yet effective

A number of new standards, and amendments to standards and interpretations, are not effective and have not been early adopted in preparing these financial statements. The following accounting standards and amendments are effective for future periods:

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, 2024.

The Company has assessed that the impact of adopting these accounting standards on its consolidated financial statements would not be significant.

New accounting standards adopted

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies – These amendments help companies provide useful accounting policy disclosures. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

The adoption of the amendment during 2023 reduced the disclosure of the Company’s accounting policies.

(Expressed in Canadian dollars)

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		93,739		70,306		164,045
Additions		5,729		-		5,729
Balance, December 31, 2023	$	99,468	$	70,306	$	169,774
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		13,066		23,400		36,466
Balance, December 31, 2023	$	78,851	$	66,460	$	145,311
Net Book Value, December 31, 2022	$	27,954	$	27,246	$	55,200
Net Book Value, December 31, 2023	$	20,617	$	3,846	$	24,463

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		December 31, 2023		December 31, 2022
Trade payables	$	89,542	$	46,975
Accrued liabilities		37,500		14,100
Due to government		29,480		3,808
Total	$	156,522	$	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, which resulted in a gain of $600 (Note 7).

5. LOANS PAYABLE

During the year ended December 31, 2020, the Company received an interest-free loan of $60,000 through the Canada Emergency Business Account. Repaying the balance of the loan on or before January 18, 2024 will result in loan forgiveness of $20,000. If the balance is not paid by January 18, 2024, the remaining balance will be converted to a 3-year term loan at 5% annual interest maturing on December 31, 2026, effective January 19, 2024.

Subsequent to December 31, 2023, the Company did not make repayment of the loan by January 18, 2024, as a result, the Company recognized a loss of $20,000 during the year ended December 31, 2023. As of December 31, 2023, the balance owing was $60,000 (2022 - $40,000).

(Expressed in Canadian dollars)

5. LOANS PAYABLE (continued)

During the year ended December 31, 2023, the Company:

i) entered into loan agreements with lenders, comprised of an arm's length individual, two directors, and the spouse of a director for loans in the aggregate amount of $125,000. The loans bear interest at an annual rate of 15% and will be repayable in full on various dates 12 months from advancement of funds. The Company also issued 625,000 common shares (Note 7) in connection with the loans. The fair value of the host debt was calculated first using a discount rate of 53% and determined to be $93,750. The residual of $31,250 was allocated to the equity component. During the year ended December 31, 2023, the Company recorded accretion of $4,354.

ii) received a loan in the amount of $2,180 from an officer of the Company. The amount is unsecured, non-interest bearing and has no specific terms of repayment.

Loans payable for the Company are broken down as follows:

		Loans payable
Balance, December 31, 2022 and 2021	$	40,000
Additions		127,180
Bifurcation of equity component		(31,250)
Reversal of loan forgiveness		20,000
Accretion		4,354
Balance, December 31, 2023		160,284
Long-term		(60,000)
Short-term	$	100,284

6. LEASES

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

For the year ending December 31, 2023, depreciation of the right of use asset was $33,166 (2022 - $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, 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		(33,166)
Right of use asset, December 31, 2023	$	5,528

(Expressed in Canadian dollars)

6. LEASES (continued)

For the year ending December 31, 2023, finance charges on the lease liability were $5,073 (2022 - $11,419). The lease terms matures on February 29, 2024.

Balance, December 31, 2021	$	87,771
Interest		11,419
Lease payments		(48,255)
Balance, December 31, 2022		50,935
Interest		5,073
Lease payments		(48,255)
Balance, December 31, 2023	$	7,753
Current lease liability	$	7,753
Long-term lease liability		-
Total lease liability at December 31, 2023	$	7,753

7. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Issued

During the year ended December 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.

ii) issued 625,000 common shares with a fair value of $31,250 pursuant to loan agreements with certain parties (Note 5).

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Issued (continued)

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

The Company has a stock option plan whereby, the maximum number of common shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 1% of the issued and outstanding number of common shares at the date of the grant.

Options may be granted for a maximum term of 10 years from the date of the grant, are non-transferable and expire within 90 days (or earlier as stipulated) of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter.

A summary of changes in options for the years ended December 31, 2023 and 2022 is as follows:

	Number of Options	Weighted Average Exercise Price
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
Granted	1,400,000	0.10
Expired	(1,100,000)	0.10
Outstanding, December 31, 2023	2,800,000	$ 0.14

The following options were outstanding and exercisable at December 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	350,000	$0.10	November 4, 2025
1,400,000	1,325,000	$0.10	July 14, 2026
2,800,000	2,725,000		

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Options (continued)

Share-based compensation

During the year ended December 31, 2023, the Company granted 1,400,000 stock options to the employees and directors of the Company exercisable at a price of $0.10 until July 14, 2026. 1,300,000 options vested immediately, whereas 100,000 options vest over time with 25,000 options vesting immediately and 25,000 options vest in on each anniversary date to follow. During the year ended December 31, 2023, the Company recognized $70,500 for the vested portion in 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 year ended December 31, 2023, the Company recognized $3,793 (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 years ended December 31, 2023 and 2022:

	Year ended December 31, 2023	Year ended December 31, 2022
Risk-free interest rate	4.30%	4.08%
Expected life of options	3 years	3 years
Expected annualized volatility	123%	150%
Exercise price	$0.10	$0.10
Expected dividend rate	0.00%	0.00%

Volatility is determined based on historical stock prices.

Warrants

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

	Number of Warrants	**Weighted Average Exercise Price**
Outstanding, December 31, 2022 and 2021	6,155,775	$ 0.23
Granted	2,000,000	0.10
Expired	(6,155,775)	0.23
Outstanding, December 31, 2023	2,000,000	$ 0.10

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Warrants (continued)

The following warrants were outstanding at December 31, 2023:

Number of Warrants	Exercise Price	Expiry Date
1,532,500*	$0.10	April 14, 2024**
467,500	$0.10	April 24, 2024**
2,000,000		

* 150,000 warrants subsequently exercised
** subsequently expired

Brokers Warrants

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

	Number of Brokers Warrants		Weighted Average Exercise Price
Outstanding, December 31, 2021 and 2022	494,272	$	0.18
Expired	(494,272)		0.18
Outstanding, December 31, 2023	-	$	-

8. RELATED PARTY TRANSACTIONS

		Year ended December 31, 2023		Year ended December 31, 2022
Transactions with Key Management Personnel				
Consulting fees paid to a company owned by a director and officer	$	60,000	$	60,000
Wages paid to officers and a spouse of a director		125,191		85,798
Share-based compensation		65,463		-
	$	250,654	$	145,798

As at December 31, 2023, receivables include $33,400 (2022 – $35,400) owing from companies with common directors.

As at December 31, 2023, accounts payable included $2,425 (2022 – $Nil) owing to officers and a company controlled by a director of the Company.

As at December 31, 2023, loan payable included $2,180 (2022 – $Nil) owing to a company controlled by a director of the Company.

The amounts due to and from related parties are unsecured, non-interest bearing and have no specific terms of repayment.

8. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2023, the Company entered into loan agreements with lenders, comprised of, two directors and the spouse of a director for loans in the aggregate amount of $75,000 (note 5). The loans bear interest at an annual rate of 15% and will be repayable in full on various dates 12 months from advancement of funds.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value Hierarchy

Financial instruments recorded at fair value on the Statements 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, 2023, the receivables consist of receivables from related parties, which are immaterial in amount. Management does not consider the Company to have significant concentrations of 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 rates. The Company does not believe it is exposed to significant foreign exchange 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 does not hold interest-bearing debt with variable interest rates 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.

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk

As at December 31, 2023, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at December 31, 2023, the Company had cash of $17,238 (2022 - $63,894) and a working capital deficiency of $197,863 (2022 - $20,956). The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms, other than the long term loan payable of $60,000.

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, 2023. The Company is not subject to externally imposed capital requirements.

11. COMMITMENT

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

2024	$	8,043
	$	8,403

Subsequent to December 31, 2023, the Company renewed its lease agreement and extended the term to February 28, 2029. Future minimum annual lease payments for the next five year and beyond are as follows:

2024	$	46,644
2025		46,322
2026		48,000
2027		50,014
2028		50,350
2029		8,392
	$	249,722

(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:

		2023		2022
Net loss for the year before income taxes	$	(614,695)	$	(536,527)
Statutory income tax rate		27%		27%
Income tax recovery computed at statutory tax rate	$	(165,968)	$	(144,862)
Items not deductible for income tax purposes		20,059		6,698
Changes in unrecognized benefit of deferred income tax assets		145,909		138,164
Deferred income tax expense	$	-	$	-

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

	December 31, 2023	Expiry dates	December 31, 2022	Expiry dates
	$		$	
Non-capital losses	3,050,000	2032 - 2043	2,498,000	2032 - 2042
Other	312,000	None	326,000	None
	3,362,000		2,824,000	

14. SUBSEQUENT EVENTS

Subsequent to year ended December 31, 2023, the Company:

i) issued 150,000 common shares pursuant to exercise of warrants at a price of $0.15 for gross proceeds of $15,000.

ii) received a loan in the amount of $20,200 bearing interest at an annual rate of 5% and will be repayable in full on December 31, 2024.

iii) renewed its lease agreement until February 28, 2029 (Note 11).