INTERIM FINANCIAL STATEMENTS

1ST QUARTER END MARCH 31, 2024

Delta CLEANTECH

CAPTURING SUSTAINABILITY

To the Shareholders of Delta CleanTech Inc.
(“Delta” or the “Corporation”)

Management’s Accountability for Management’s Discussion and Analysis and Consolidated Financial Statements

The unaudited interim consolidated financial statements for the period ending March 31, 2024 (“**Financial Statements**”) have been prepared by management in accordance with International Financial Reporting Standards in Canada. Management is responsible for ensuring that these Financial Statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management’s discussion and analysis for the period ending March 31, 2024 (“**MD&A**”) and reflect ***Delta***’s business transactions and financial position.

Management is also responsible for the information disclosed in the MD&A, including responsibility for the existence of appropriate information systems, procedures and controls, to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation’s assets are appropriately accounted for and adequately safeguarded.

The board of directors (“**Board**”) annually appoints an audit committee which includes directors who are not employees of the Corporation. This committee meets regularly with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. The shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the interim and annual financial statements, the report of the shareholders' auditors, and the interim and annual management’s discussion and analysis and has delegated authority to approve the interim filings and makes recommendations to the Board regarding annual filings.

Management has reviewed the filings of the Corporation’s MD&A, Financial Statements and attachments thereto. Based on our knowledge, having exercised reasonable diligence, these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the period covered by the interim filings. Based on our knowledge, having exercised reasonable diligence, the Financial Statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, the financial performance, and cash flows of the Corporation, as of the date of and for the periods presented in the interim filings.

Signed “Jeffrey Allison”
JEFF ALLISON
PRESIDENT & CEO

Signed “Jacelyn Case”
JACELYN CASE
CFO

NOTICE TO READER OF THE

UNAUDITED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements for the three-month period ending March 31, 2024, have been prepared by management in accordance with the International Financial Reporting Standards and have not been reviewed by the auditor of **Delta CleanTech Inc**.

Signed "Jeffrey Allison"
JEFFREY ALLISON
PRESIDENT & CEO

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

For the period ended	Note	March 31, 2024 $	December 31, 2023 $
ASSETS			
Current Assets:			
Cash		459,642	283,382
Investments	8	-	-
Accounts receivable and accrued receivables	21	36,692	82,408
Government receivables		6,628	11,279
Prepaid expenses and deposits	5	30,576	45,908
Inventory	6	375,980	79,117
		919,518	502,094
Advances to associate	7	389,196	365,113
Investments	8	253,250	278,149
Property, plant and equipment	9	64,739	43,545
Right-of-use assets	10	40,325	52,422
Patents	11	61,616	54,995
Intangible assets	12	1,942,342	2,005,767
Goodwill	13	-	-
Total assets		3,660,986	3,302,085
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	21	596,453	310,701
Deferred revenue	13	20,109	4,860
Short term debt – convertible debenture	14	100,000	-
Current portion of lease liability	15	41,671	53,711
		758,233	369,272
Lease liability	15	668	668
Total liabilities		758,901	369,940
EQUITY			
Equity:			
Share capital	16	10,224,407	10,127,247
Warrants	17	2,051,688	1,548,848
Contributed surplus	17,18	778,791	770,645
Accumulated deficit		(10,042,764)	(9,421,078)
Total equity attributable to shareholders of the Corporation		3,012,122	3,025,662
Total deficit attributable to non-controlling interest		(110,037)	(93,517)
		2,902,085	2,932,145
Total liabilities and equity		3,660,986	3,302,085

The accompanying notes are an integral part of these Financial Statements.

Consolidated Statements of Income (Loss)
and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

For the period ended	Note	March 31, 2024 $	March 31, 2023 $
Revenue			
Engineering, process design and consulting		15,860	465,552
Expenses			
Engineering, process design and consulting		5,837	173,750
Operating wages and benefits		240,210	326,162
Consulting and contractor costs		89,832	184,274
Business development		90,501	94,525
General and administrative		140,228	186,862
Stock compensation expense	18	8,146	53,392
Amortization	9,10,11,12	79,873	79,554
		654,627	1,098,519
Operating loss		(638,767)	(632,967)
Interest income		15,146	13,022
Interest expense	15	(1,633)	(1,774)
Net interest income		13,513	11,248
Fair value gain(loss) on Common Shares	8	(24,899)	405,825
Unrealized foreign exchange gain		8,947	-
Loss before taxes		(641,206)	(215,894)
Income tax expense		-	-
Net loss and comprehensive loss for the period		**(641,206)**	**(215,894)**
Net loss for the year attributable to:			
Shareholders of the Corporation		(624,686)	(174,243)
Non-controlling interest		(16,520)	(41,651)
Net loss for the period		**(641,206)**	**(215,894)**
Loss per share – basic and diluted*	19	(0.01)	(0.004)

*Fully diluted earnings per share is not presented when there is a loss as the impact would be anti-dilutive.

The accompanying notes are an integral part of these Financial Statements.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Note	Number of shares	Share Capital $	Warrants $	Contributed Surplus $	Deficit $	Non-Controlling Interest $	Total Equity $
Balance, December 31, 2022		**58,823,100**	**9,043,155**	**1,375,594**	**1,496,285**	**(6,962,529)**	**(73,117)**	**4,879,388**
Options and RSU's issued	18	5,000,000	832,346	-	(832,346)	-	-	-
Stock compensation expense	18	-	-	-	53,392	-	-	53,392
Net loss		-	-	-	-	(174,242)	(41,651)	(215,893)
Balance, March 31, 2023		**65,823,100**	**9,975,501**	**1,375,594**	**717,331**	**(7,136,771)**	**(114,768)**	**4,716,887**

	Note	Number of shares	Share Capital $	Warrants $	Contributed Surplus $	Deficit $	Non-Controlling Interest $	Total Equity $
Balance, December 31, 2023		**85,073,100**	**10,127,247**	**1,548,848**	**770,645**	**(9,421,078)**	**(93,517)**	**2,932,145**
Private Placement	16	30,000,000	97,160	502,840	-	-	-	600,000
Stock compensation expense	18	-	-	-	8,146	-	-	8,146
Net loss		-	-	-	-	(624,686)	(16,520)	(641,206)
Balance, March 31, 2024		**115,073,100**	**10,224,407**	**2,051,688**	**778,791**	**(10,042,764)**	**(110,037)**	**2,902,085**

The accompanying notes are an integral part of these Financial Statements.

Consolidated Statements of Cash Flows

(Express in Canadian dollars)

For the period ended	Note	March 31, 2024 $	March 31, 2023 $
Cash flows used in operating activities:			
Net loss		(641,206)	(215,894)
Items not affecting cash:			
Amortization	9,10,11,12	79,873	79,554
Accrued interest		(15,142)	1,950
Interest expense		-	1,009
Stock compensation expense		8,146	53,392
Fair value gain or loss on listed Common Shares	8	24,899	(405,825)
Unrealized foreign exchange loss		(8,937)	-
Change in working capital and other	20	69,834	99,234
		(481,657)	(386,583)
Cash flows used in investing activities:			
Purchase of property and equipment	9	(24,509)	(3,248)
Purchase of patents	11	(7,657)	(7,320)
Redemption (purchase) of GIC		-	187,082
		(32,165)	176,514
Cash flows from financing activities:			
Private placement	16	600,000	-
Lease payment	15	(12,917)	(12,735)
Cash received on issuance of debenture in Carbon RX		100,000	-
Cash received on issuance of shares Carbon RX		3,000	-
		690,083	(12,735)
Increase (decrease) in cash during the period		176,260	(228,804)
Cash – beginning of period		283,382	401,172
Cash – end of period		459,642	178,368

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

For the periods ended March 31, 2024 and December 31, 2023

(Express in Canadian dollars)

1) Operations

Delta CleanTech Inc. ("**Delta**" or "**Corporation**") was incorporated on December 22, 2020, under the *Business Corporations Act Alberta* and is domiciled in Canada. The registered office of the Corporation is located at #2308 Palisade Dr. SW, Calgary, AB, T2V 3V1.

The principal activity of the Corporation and its subsidiary consists of five main clean energy pillars: 1) CO_2 capture; 2) hydrogen production (CO_2 capture); 3) solvent and ethanol purification; 4) methane collection and destruction; and 5) carbon credit certification and trading (collectively the "**Business Sectors**"). These Business Sectors will be accomplished by capitalizing on the Corporation's patented process design intellectual property ("**IP**"), as well as its CO_2 capture and related solvent IP, whose focused mandate will be on positioning itself as a leading technology provider in the clean energy technology sector.

The Corporation operates its Business Sectors primarily in one principal field of business, that being clean energy. The Corporation's Chief Operating Decision-Maker ("**CODM**") is the President. The CODM is the highest level of management responsible for assessing the Corporation's overall performance and making operational decisions such as resource allocations related to operations, product prioritization, and delegation of authority. Management has determined that the Corporation operates in a single operating and reportable segment, and all of the Corporation's operations are within Canada.

2) Basis of Presentation

a) Statement of Compliance

These unaudited interim consolidated financial statements of the Corporation (the "**Financial Statements**") for the 3-month period ended March 31, 2024 (the "**Q1**" or "**Period**") have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and with interpretation of the International Financial Reporting Interpretations Committee ("**IFRIC**").

These Financial Statements were authorized for issuance by the Audit Committee of the Board of Directors ("**Board**") on May 30, 2024.

Certain comparative figures have been reclassified to conform to the current presentation.

b) Basis of presentation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention, except for financial assets and liabilities that have been measured at amortized cost or fair value through profit and loss.

c) Material Uncertainty Related to Going Concern

The Corporation's financial statements were prepared on a going concern basis. The going concern basis assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

For the Period, the Corporation incurred a net loss of $641,206 and had negative operating cash flows of $428,828 and cash of $477,516. Based on the Corporation's current level of expenditures, it will have insufficient cash to fund its operations if sales do not improve and will need to raise additional funds. While the Corporation has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no certainty that these events will occur.

These conditions indicate that there is a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

The Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities and related expenses that might be necessary should the Corporation be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those stated herein. Such adjustments could be material.

d) Functional Currency

The Financial Statements are presented in Canadian dollars, which is the Corporation's functional currency.

e) Principles of consolidation

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Financial Statements include the accounts of ***Delta***, consolidated with those of its wholly owned subsidiaries: Delta CleanTech Inc. – Abu Dhabi ("**DeltaUAE**"); CO_2 Technologies Pty. Ltd. ("**CO_2 Technologies**"); and majority owned subsidiary Carbon RX Inc. ("**Carbon RX**"). All inter-company transactions, balances, revenues, and expenses have been eliminated on consolidation. On April 18, 2022, **Carbon RX** obtained an interest in Pure Sky Registry, LLC, ("**Pure Sky**") a Delaware corporation. The Corporation accounts for its investment in Pure Sky using the equity method of accounting. On June 20, 2023, ***Delta*** incorporated **DeltaUAE** in Abu Dhabi, in order to conduct its business projects in the United Arab Emirates. On November 21, 2023. ***Delta*** obtained a 46% interest in **Methanator RX Inc**. ("**Methanator**"). The Corporation accounts for its investment in **Methanator RX** using the equity method of accounting.

3) Use of Estimates and Judgement

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Preparation of the Corporation's Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the Financial Statements ("**Notes**"), as appropriate.

Significant accounting judgements

Fair value measurement of financial instruments
When the fair value of financial assets recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow method. The inputs to these models are taken from observable markets where possible.

Goodwill and intangible asset impairment
The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is tested for impairment annually as at December 31. If any such indication exists, then the asset's recoverable amount is estimated and compared to the carrying amount of the cash generating unit ("**CGU**") to which the asset belongs. Significant judgements used in the determination of the recoverable amount include the discount rate, forecasted sales and expenses, and the resulting earnings before interest, taxes, depreciation and amortization, as well and working capital and the terminal growth rate.

Estimated useful lives of patents and intangibles
Amortization of patents and intangibles are dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Stock compensation and warrants
The Corporation utilizes the Black-Scholes Option Pricing Model to determine the fair value of stock compensation and warrants issued as part of the Units. The Corporation uses judgment in the evaluation of the input variables in the Black-Scholes Calculation which includes: estimates of the future volatility of the Corporation's share price, forfeiture rates, expected lives of the underlying security, expected dividends and other relevant assumptions.

4) Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations are expensed and included in general and administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Corporation's share in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities.

Any negative difference is recognized directly in the consolidated statements of income. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash-generating units or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those CGUs. Where goodwill forms part of a CGU or group of CGUs and part of the operating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. If the Corporation reorganizes its reporting structure in a way that changes the composition of one or more CGUs or group of CGUs to which goodwill has been allocated, the goodwill is reallocated to the units affected. Goodwill disposed of or reallocated in these cases is measured based on the relative values of the operation disposed of and the portion of the CGU retained, or the relative fair value of the part of a CGU allocated to a new CGU compared to the part remaining in the old organizational structure.

b) Financial instruments

Classification and Measurement

The Corporation classifies and measures financial assets based on their contractual cash flow characteristics and the Corporation's business model for the financial asset. All financial assets and financial liabilities are recognized at fair value in the consolidated statements of financial position when the Corporation becomes party to the contractual provisions of a financial instrument or non-financial derivative contract. Subsequent to initial recognition, financial assets must be classified and measured at either amortized cost, at fair value through profit or loss ("**FVTPL**"), or at fair value through other comprehensive income ("**FVTOCI**").

The Corporation classifies its financial instruments as follows:

Financial Instrument	**Classification**
Financial assets	
Cash	FVTPL
Investments	FVTPL
Accounts receivable	Amortized cost
Advances to associate	Amortized cost

Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost

Financial assets

Impairment of financial assets

Advances to associate measured at amortized cost are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method, less any unrealized foreign exchange loss or gain. The expected credit loss model requires entities to account for expected credit losses on financial assets, other than financial assets measured at FVTOCI, at the date of initial recognition, and to account for changes in expected credit losses at each reporting date to reflect changes in credit risk. The Corporation applies the low credit risk simplification. At every reporting date, the Corporation evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Corporation reassesses the internal credit rating of the debt instrument. In addition, the Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. For accounts receivables and advances to associate, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Corporation's management reviewed and assessed its existing financial assets for impairment using reasonable and supportable information to determine the credit risk of the respective items at the date they were initially recognized and compared that to the credit risk as at December 31, 2023. The assessment of changes in credit risk resulted in an immaterial impact on the Consolidated Statement of Financial Position.

<u>Derecognition of financial assets</u>
The Corporation derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

<u>Recognition and initial measurement</u>
The Corporation recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Corporation measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

<u>Classification and subsequent measurement</u>
Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

<u>Derecognition of financial liabilities</u>
The Corporation derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expired.

c) Cash

Cash includes balances in banks and cash on hand.

d) Foreign Currency Translation

The Corporation translates monetary assets and liabilities using the rate of exchange at the Financial Statement date and non-monetary assets and liabilities using the historical exchange rate at the transaction date. Revenues and expenses are translated using the average exchange rate in effect for the period or year.

e) Inventory

Carbon credits purchased, or internally generated are recorded at cost and carried at the lower cost and net realizable value in inventories.

Carbon credits that are held for trading are carried within inventories and are valued at fair value less costs to sell. The cost to sell is usually nominal and is not factored into the valuation. Realized and unrealized gains and losses from the carbon credits held for trading are recorded within gain (loss) on risk management and other on the consolidated statements of income (loss) and comprehensive income (loss).

f) Property, Plant and Equipment

The initial cost of an asset is comprised of its purchase price or construction cost, borrowing costs and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the amount paid and the fair value of any other consideration given to acquire the asset. Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. Asset values are comprised of cost less accumulated amortization and impairment if required.

Assets are amortized over their estimated useful lives as follows:

Equipment and vehicles	30% declining balance
Leasehold improvements	3 years straight-line

g) Impairment of Assets

<u>Non-Financial and Intangible Assets</u>

The carrying amounts of the Corporation's property, plant and equipment, product development costs, patents and intangible assets having a finite useful life are assessed for impairment indicators at least on an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or group of assets' estimated fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (CGUs).

Where an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life and goodwill are not subject to amortization and are tested for impairment at least on an annual basis or earlier when there is an indication of potential impairment.

h) Patents

Costs associated with registration of patents are accumulated at cost and when registration is complete, amortized on a straight-line basis over 15 years.

i) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives, which include brand names, are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Internally generated intangible assets are capitalized when the product or process is technically and commercially feasible and the Corporation has sufficient resources to complete development. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Expenditures incurred to develop new demos and prototypes are recorded at cost as internally generated intangible assets. Amortization of the internally generated intangible assets begins when the development is complete and the asset is available for use and it is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment at least annually.

Finite-life intangible assets are amortized over their estimated useful lives as follows:

Delta Reclaimer® System	10 years
LCDesign® CCS	10 years
PDOengine®	10 years
Carbon RX™ IP	20 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

j) Research and Development

Research costs are expensed as they are incurred in accordance with specific criteria set out under IFRS. Product development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes, and systems, and satisfy certain conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, based on the expected useful life of the completed product. The carrying value of capitalized development costs are examined for recoverability annually.

k) Leases

At the inception of a contract, the Corporation considers whether the contract is, or contains, a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Corporation assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Corporation has the right to direct the use of the identified asset throughout the period of use; and
- the Corporation assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Right-of-use assets are amortized over the term of the lease.

<u>Recognition and measurement</u>

At the lease commencement date, the Corporation recognizes a right-of-use asset and a lease liability on the statement of financial position. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, estimated costs to dismantle or remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Corporation depreciates the right-of-use asset on a straight-line basis to the earlier of the useful life of the asset, or the end of the lease term. The Corporation also assessed the right-of-use asset for impairment when indicators exist.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Corporations incremental rate of borrowing.

Lease payments included in the measurement of the lease liability include fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest.

l) **Revenue Recognition**

The Corporation’s revenues from contracts with customers are derived from engineering, processing, design and consulting services.

To determine whether to recognize revenue, the Corporation follows a 5-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Corporation satisfies performance obligations by transferring the promised goods or services to its customers. Revenue for engineering processing design and consulting services are recognized over time as the service is provided. The Corporation earns variable royalty income from customers that proceed with construction projects based on the Corporation's engineering processing design and consulting services. Royalty revenue is recognized in consolidated statement of loss and other comprehensive loss when earned.

<u>Performance Obligations</u>
Each promised good or service is accounted for separately as a performance obligation, if it is distinct.

<u>Transaction Price</u>
The Corporation allocates the transaction price in the contract to each performance obligation. Transaction price allocated to performance obligations may include variable consideration. Variable consideration is included in the transaction price for each performance obligation when it is highly probable that a significant reversal of the cumulative variable revenue will not occur. Variable consideration is assessed at each reporting period to determine whether the constraint is lifted. The consideration contained in some of the Corporation's contracts with customers has a variable component, and may include both variability in quantity and pricing, such as: revenues can be dependent upon the quantity handled or the number of days any product is stored.

When multiple performance obligations are present in a contract, transaction price is allocated to each performance obligation in an amount that depicts the consideration the Corporation expects to be entitled to, in exchange for transferring the good or service. The Corporation estimates the amount of the transaction price, to allocate to individual performance obligations, based on their relative standalone selling prices.

<u>Recognition</u>
The nature, timing of recognition of satisfied performance obligations, and payment terms for the Corporation's goods and services are described below:

Revenues from contracts for rendering of services are recognized over time as the services are provided to the customer based on the progress towards completion of the contract using the percentage of completion method. This method is measured by reference to costs incurred relative to the total estimated costs.

The Corporation recognizes a contract asset or contract liability for contracts where either party has performed. A contract liability is recorded when the Corporation receives consideration before the performance obligations have been satisfied. A contract asset is recorded when the Corporation has rights to consideration for the completion of a performance obligation before it has invoiced the customer. The Corporation recognizes unconditional rights to consideration separately as a receivable. Contract assets and receivables are evaluated at each reporting period to determine whether there is any objective evidence that they are impaired.

The Corporation recognizes a significant financing component where the timing of payment from the customer differs from the Corporation's performance under the contract and where that difference is the result of the Corporation financing the transfer of goods and services. No significant financing components were identified in the Corporation's contracts.

m) **Income taxes**

Income tax expense comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The resulting changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future income tax assets are recognized to the extent it is probable that these will be realized in the future.

n) **Earnings per share**

The computation of earnings per share is based on the weighted average number of shares outstanding during the period. Diluted profit per share is computed in a similar way to basic profit per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options, share appreciation rights and convertible debt options, if dilutive.

o) **Share based compensation**

The Corporation and its subsidiary, **Carbon RX**, have equity incentive plans awarded to employees (including senior executives), consultants and board members, and records all share-based payments, including grants of employee stock options, at their respective fair values. The fair value of the stock options is estimated at the grant date, using the Black-Scholes valuation model. Compensation costs are expensed over the award's vesting period with a corresponding increase to contributed surplus. An estimate of forfeitures is applied when determining compensation expense. On exercise of the equity instrument, consideration paid by the holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The fair value of the Carbon Rx options is recorded in stock compensation expense and non-controlling interests.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Corporation's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of loss and comprehensive loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.
No expense is recognized for awards that do not ultimately vest because non-market performance and/or service condition have not been met.

When the terms of an equity settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based compensation transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expenses immediately through profit and loss.

p) New standards, interpretations and amendments adopted

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a material impact on the Corporation's consolidated financial statements, other than increased disclosure.

2) Prepaids and deposits

	March 31, 2024 $	December 31, 2023 $
Prepaid expenses	24,155	39,487
Deposits	6,421	6,421
	30,576	**45,908**

3) Inventory

The Corporation's inventory is comprised of:

	Carbon Credits $
Balance at December 31, 2023	79,117
Inventory additions	296,863
Cost of goods sold	-
Balance at March 31, 2024	**375,980**

The Corporation's subsidiary **Carbon RX** develops carbon credit projects in nature-based sectors to be traded on the voluntary carbon market. Credits are derived from both first nations and non-first nations farming enterprises. On March 28, 2024, 81,174 carbon credits were certified.

During the Period, changes to work in progress, materials, supplies and finished goods recognized as cost of sale - other amounted to $Nil (March 31, 2023 - $Nil).

4) Advances to associate

	March 31, 2024 $	December 31, 2023 $
Advances to associate	365,113	354,518
Accrued interest	15,146	22,488
Unrealized foreign exchange gain(loss)	8,937	(11,893)
	389,196	**365,113**

The other long-term receivable represents a loan between ***Delta***'s subsidiary **Carbon RX** and **Pure Sky**. The loan bears interest at a fixed rate of 12.50% per annum and is due and payable in equal monthly installments beginning September 1, 2025. The loan matures on September 1, 2028. The effective interest rate was 15.97% as at March 31, 2024.

5) Investments

	March 31, 2024 $	December 31, 2023 $
Listed Common Shares	203,250	228,149
Unlisted Common Shares	50,000	50,000
	253,250	278,149

The fair value of quoted securities is based on published market prices. The Corporation has not received any dividends and has recognized a loss on fair value of the listed common shares ("**Common Shares**") of $24,899 during the Period (March 31, 2023 - $405,825 gain).

Unlisted common shares represent an investment in Plexus Technology Corp. The Corporation has recorded fair value loss of the investment at March 31, 2024 of $Nil (March 31, 2023 - $Nil).

6) Property and equipment

	Equipment $	Vehicle $	Leasehold Improvements $	Total $
Cost:				
Balance, December 31, 2023	**53,000**	**-**	**20,117**	**73,117**
Additions	24,509	-	-	24,509
Balance, March 31, 2024	**77,509**	**-**	**20,117**	**97,626**
Accumulated amortization:				
Balance, December 31, 2023	12,249	-	17,323	29,572
Amortization	1,638	-	1,677	3,315
Balance, March 31, 2024	**13,887**	**-**	**19,000**	**32,887**
Carrying amounts:				
Balance, March 31, 2024	**63,622**	**-**	**1,117**	**64,739**

	Equipment $	Vehicle $	Leasehold Improvements $	Total $
Cost:				
Balance, December 31, 2022	**25,831**	**-**	**20,117**	**45,948**
Additions	27,169	-	-	27,169
Balance, December 31, 2023	**53,000**	**-**	**20,117**	**73,117**

Accumulated amortization:

Balance, December 31, 2022	6,456	-	10,617	17,073
Amortization	5,793	-	6,706	12,499
Balance, December 31, 2023	**12,249**	**-**	**17,323**	**29,572**

Carrying amounts:

Balance, December 31, 2023	**40,751**	**-**	**2,794**	**43,545**

7) Right-of-use assets

	Office **$**
Cost:	
Balance, December 31, 2023	96,780
Additions	-
Balance, March 31, 2024	**96,780**
Accumulated amortization:	
Balance, December 31, 2023	44,358
Amortization	12,097
Balance, March 31, 2024	**56,455**
Carrying amounts:	
Balance, March 31, 2024	**40,325**

	Office **$**
Cost:	
Balance, December 31, 2022	193,061
Additions	-
Fully amortized January 31, 2023	(96,281)
Balance, December 31, 2023	**96,780**
Accumulated amortization:	
Balance, December 31, 2022	92,270
Amortization	48,369
Fully amortized January 31, 2023	(96,281)
Balance, December 31, 2023	**44,358**
Carrying amounts:	
Balance, December 31, 2023	**52,422**

8) Patents

	Total $
Cost:	
Balance, December 31, 2023	62,126
Additions	7,657
Balance, March 31, 2024	**69,783**
Accumulated amortization:	
Balance, December 31, 2023	7,131
Amortization	1,035
Balance, March 31, 2024	**8,166**
Carrying amounts:	
Balance, March 31, 2024	**61,616**

	Total $
Cost:	
Balance, December 31, 2022	53,171
Additions	8,955
Balance, December 31, 2023	**62,126**
Accumulated amortization:	
Balance, December 31, 2022	3,306
Amortization	3,825
Balance, December 31, 2023	**7,131**
Carrying amounts:	
Balance, December 31, 2023	**54,995**

Delta has completed the WTO patenting, commercialization and the construction and commissioning of the Delta Purification System®, reclaiming hydrocarbon based and other solvents, such as single, mixed, and formulated amines, for use in natural gas processing ethanol-based solvents and post combustion CO_2 capturing processes.

9) Intangible assets

	PDOengine®	LCDesign® CCS	Delta Reclaimer® System	Carbon RX ™ IP	Total
	$	$	$	$	$
Cost:					
Balance, December 31, 2023	700,000	815,000	815,000	414,000	2,744,000
Additions	-	-	-	-	-
Balance March 31, 2024	**700,000**	**815,000**	**815,000**	**414,000**	**2,744,000**
Accumulated amortization:					
Balance, December 31, 2023	204,167	237,708	237,708	58,650	738,233
Amortization	17,500	20,375	20,375	5,175	63,425
Balance March 31, 2024	**221,667**	**258,083**	**258,083**	**63,825**	**801,658**
Carrying amounts:					
Balance March 31, 2024	**478,333**	**556,917**	**556,917**	**350,175**	**1,942,342**

	PDOengine®	LCDesign® CCS	Delta Reclaimer® System	Carbon RX ™ IP	Total
	$	$	$	$	$
Cost:					
Balance, December 31, 2022	700,000	815,000	815,000	414,000	2,744,000
Additions	-	-	-	-	-
Balance December 31, 2023	**700,000**	**815,000**	**815,000**	**414,000**	**2,744,000**
Accumulated amortization:					
Balance, December 31, 2022	134,167	156,208	156,208	37,950	484,533
Amortization	70,000	81,500	81,500	20,700	253,700
Balance, December 31, 2023	**204,167**	**237,708**	**237,708**	**58,650**	**738,233**
Carrying amounts:					
Balance, December 31, 2023	**495,833**	**577,292**	**577,292**	**355,350**	**2,005,767**

10) Deferred revenue

	March 31, 2024 $	December 31, 2023 $
Balance, beginning of period	4,860	64,226
Additions to deferred revenue	20,109	4,860
Revenue recognized during the period	(4,860)	(64,226)
Balance, end of period	**20,109**	**4,860**

Deferred revenue, or contract liabilities, represent cash received from customers in excess of revenue recognized on uncompleted contracts.

11) Short term debt

	March 31, 2024 $	December 31, 2023 $
Balance, beginning of period	-	-
Convertible debenture issued February 16, 2024	100,000	-
Balance, end of period	**100,000**	**-**

Carbon RX issued a convertible debenture on February 16, 2024. The debenture converts to common shares at time of closing of a qualified transaction, or at maturity date. Either option converts to common shares valued at an either 10% discount to the share price pursuant to a qualified transaction or at the maturity date is mandatorily redeemable for shares at a 10% discount on closing. Maturity date is December 31, 2024. This is a noncash transaction and has been classified as current.

12) Lease liability

	March 31, 2024 $	December 31, 2023 $
Balance, beginning of period	54,379	101,169
Additions	-	-
Payments	(12,917)	(51,477)
Interest expense	877	4,687
Balance, end of period	**42,339**	**54,379**

Lease liabilities are presented in the statement of financial position as follows:

	Incremental Borrowing Rate %	Maturity	Total $
Current	6.95	2024	41,671
Non-current	6.95	2025	668
Lease liability			42,339

Interest expense of $877 is included in financing expense, and payments are applied against the lease liability (March 31, 2023 - $1,006).

The maturity analysis of the lease liabilities at March 31, 2024 is as follows:

	$
2024	38,744
2025	4,305
Total undiscounted lease payments	43,049
Present value of lease payments	710
Net investment in the lease	42,339

Lease expenses relating to short-term leases amount to $8,977 and were recorded as general and administrative expenses (March 31, 2024 - $11,658).

13) Share capital

At March 31, 2024, the Corporation had authorized an unlimited number of Common Shares without par value, and an unlimited number of preferred shares ("**Preferred Shares**"). Common Shares are voting, participating and are not subject to restrictions. Preferred Shares may be issued in series. At the end of the period the Corporation had 115,073,100 (December 31, 2023 – 85,073,100) Common Shares, and Nil Preferred Shares issued and outstanding.

On December 22, 2023, the Corporation closed a private placement by issuing 21,250,000 units at a price of $0.02 per unit ("**Unit**"), for the gross proceeds of $425,000 ("**Private Placement**"). Each Unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"). Each Warrant entitles the holder to purchase one common share ("**Warrant Share**") of ***Delta*** at an exercise price of $0.05 per Warrant Share, for a period of five years from date of issuance. The Common Shares issued, and the Warrant Shares were subject to a hold period under applicable securities law until April 23, 2024.

On March 13, 2024, the Corporation announced upon receipt of the majority of the minority shareholders' approval obtained on March 12, 2024, it had closed tranche 1 of a private placement by issuing 19,400,000 units at a price of $0.02 per unit ("**2024-Unit**"), for the gross proceeds of $388,000. Each 2024-Unit consists of one Common Share and one common share purchase warrant ("**2024-Warrant**"). Each 2024-Warrant entitles the holder to purchase one Common Share ("**2024-Warrant Share**") of ***Delta*** at an exercise price of $0.05 per 2024-Warrant Share, for a period of five years. The Common Shares issued, and the 2024-Warrant Share are subject to a hold period under applicable securities law until July 14, 2024.

On March 15, 2024, the Corporation announced the closing of tranche 2, the final tranche, of the private placement, by issuing an additional 10,600,000 2024-Units at a price of $0.02 per 2024-Unit, for the gross proceeds of $212,000. The Common Shares issued, and the 2024-Warrant Shares issuable under tranche 2, are subject to a hold period under applicable securities law until July 16, 2024.

	As at March 31, 2024		As at December 31, 2023	
Common Shares	**Number**	**Amount $**	**Number**	**Amount $**
Balance, beginning of period	85,073,100	10,127,247	58,523,100	9,043,155
RSU's exercised	-	-	5,000,000	832,346
Private placement	30,000,000	97,160	21,250,000	251,746
Balance, end of period	**115,073,100**	**10,224,407**	**58,823,100**	**10,127,247**

Subsidiary Share Issuance

On May 31, 2023, **Carbon RX** closed a private placement, by issuing 2,000,000 units at a price of $0.01/unit to 5 subscribers, 3 of whom are directors or executive officers of ***Delta*** and **Carbon RX**. Each unit consists of

1 common share of **Carbon RX** and one half of a common share purchase warrant of **Carbon RX**, with each whole warrant entitling the holder to purchase a common share of **Carbon RX** at a price of $0.75, expiring 60 months after issuance.

On August 1, 2023, **Carbon RX** closed a private placement, by issuing 550,000 units at a price of $0.50/unit to 3 arm's length subscribers. Each unit consists of 1 common share of **Carbon RX** and one half of a common share purchase warrant of **Carbon RX**, with each whole warrant entitling the holder to purchase a common share of **Carbon RX** at a price of $0.75, expiring 60 months after issuance.

On February 29, 2024, **Carbon RX** accepted a subscription for 5,000 units at a price of $0.60 per unit for the gross proceeds of $3,000. Each unit entitles the subscriber to one common share of **Carbon RX** and one half of one common share purchase warrant (with each whole warrant a "**Carbon Warrant**"). Each Carbon Warrant entitles the holder to purchase a **Carbon RX** common share for $0.75, expiring February 28, 2026.

14) Warrants

The Corporation's warrants as at and for the periods ending March 31, 2024, and December 31, 2023, were as follows:

Warrants	Number	Weighted average exercise price $	Fair Value of Warrants $
Balance, December 31, 2023	**31,285,250**	**0.33**	**1,548,848**
March 2024 Private Placement	30,000,000	0.05	502,840
Balance, March 31, 2024	**61,285,250**	**0.19**	**2,051,688**

As at March 31, 2024 and December 31, 2023, outstanding warrants to acquire Common Shares of the Corporation were netted against proceeds as follows:

Number outstanding	Grant date	Expiry date	Exercise price $	Grant date fair value $	Expected life Years	Expected dividend yield %	Risk-free interest rate %	Volatility %
18,100,000	January 27, 2021	January 27, 2025	0.50	1,267,000	4	0	0.51	120
1,398,750	January 27, 2021	January 27, 2025	0.20	167,850	4	0	0.51	120
1,075,000	January 29, 2021	January 29, 2025	0.50	75,250	4	0	0.51	120
86,500	April 16, 2021	April 16, 2025	0.50	6,055	4	0	0.51	120
10,625,000	December 22, 2023	December 21, 2028	0.05	173,254	5	0	3.38	98
19,400,000	March,13, 2024	March 13, 2029	0.05	325,170	5	0	3.56	101.07
10,600,000	March 15, 2024	March 15, 2029	0.05	177,670	5	0	3.56	101.07
61,285,250			**0.19**	**2,192,249**	**5**	**0**	**2.50**	**106.9**

As at March 31, 2024, the warrants outstanding had a weighted average remaining contractual life of 3.84 years. Expected volatility is based on the historical share price of companies in a comparable industry.

Subsidiary Warrants

On May 31, 2023, **Carbon RX** closed a private placement, and issued 1,000,000 warrants to 5 warrant holders, 3 of whom are executive officers of **Carbon RX**. Each warrant entitles the holder to purchase a common share of **Carbon RX** at a price of $0.75, expiring 60 months after issuance.

On August 1, 2023, **Carbon RX** closed a private placement, and issued 275,000 warrants to 3 warrant holders. Each warrant entitles the holder to purchase a common share of **Carbon RX** at a price of $0.75, expiring 60 months after issuance.

On February 29, 2024, **Carbon RX** closed a private placement, and issued 2,500 warrants to one warrant holder. Each Warrant entitles the holder to purchase a **Carbon RX** common share for $0.75, expiring February 28, 2026.

15) Stock Option and RSU plan

Under ***Delta***'s stock option plan and RSU plans, the Corporation is authorized to issue an aggregate of 23,014,620 stock options ("**Stock Options**") and restricted share units ("**RSU**") of which 5,700,000 Stock Options and Nil RSU's are issued as at the end of the Period. On February 19, 2021, 5,300,000 Stock Options were granted to directors, officers, employees, and consultants of the Corporation ("**Option Holders**"). These Stock Options, vested in 3 equal tranches, 12 -, 24 – and 36 months after issuance. The exercise price of the Stock Options is equal to $0.20/Common Share. The fair value of the Stock Options is estimated at the grant date using a Black Scholes model, taking into account the terms and conditions on which the Stock Options were granted. The performance condition considered in determining the number of instruments that will ultimately vest assumes all Stock Options will vest given that the Option Holders were appointed, contracted and/or employed as part of the Clean Energy Assets acquisition. The Stock Options expire 4 years after issuance. 500,000 of these Stock Options terminated on December 31, 2023, due to the resignation of an employee.

On November 1, 2021, an additional 500,000 Stock Options were granted for third party services. The shares vest over 12 months but the services provided have the duration of 6 months. The fair value of the Stock Options is estimated at the grant date using a Black Scholes model, taking into account the terms and conditions on which the Stock Options were granted. The performance condition considered in determining the number of instruments that will ultimately vest assumes all Stock Options will vest over the 6 months that investment services are received. The options vest as follows: 125,000 on February 1, 2022; 125,000 on May 1, 2022, 125,000 on August 1, 2022 and the remaining 125,000 on November 1, 2022, and can be exercised until November 1, 2026.

The options are equity settled and have been accounted for as an equity-settled plan. The options outstanding at March 31, 2024 had an exercise price $0.26 and weighted average contract life of 1.04 years.

	Employee Stock Option Plan	**Options for Services**
Dividend yield (%)	-	-
Expected volatility (%)	120	120
Risk–free interest rate (%)	0.51	0.29
Expected life of share options	4	5
Stock Price ($)	0.165	0.61
Estimated Fair Value ($)	0.12	0.20

On September 29, 2022, 400,000 ***Delta*** Stock Options were granted to ***Delta***'s President and CEO. The Stock Options have an exercise price of $0.10 vest in three equal tranches on September 29, 2022, February 19, 2023 and February 19, 2024 and shall expire on February 19, 2025 or such earlier date on which the Stock Options are exercised.

	Participant Stock Option Plan
Dividend yield (%)	-
Expected volatility (%)	108.53
Risk–free interest rate (%)	3.44
Expected life of share options	2.4
Stock Price ($)	0.045
Estimated Fair Value ($)	0.02

On September 18, 2023, 250,000 ***Delta*** Stock Options were granted to ***Delta***'s Sr VP of Engineering and Technology. The Stock Options had an exercise price of $0.05 vest in three equal tranches over 3 years. These Stock Options terminated on December 31, 2023, due to the employee's resignation.

For the Period the Corporation recorded share-based compensation of $8,146, including $Nil recognized in **Carbon RX** (March 31, 2023 - $140,079).

	March 31, 2024		**December 31, 2023**	
	Number of options	**Weighted Average Exercise Price $**	**Number of options**	**Weighted Average Exercise Price $**
Balance, beginning of period	5,700,000	0.26	6,600,000	0.24
Granted	-	-	250,000	-
Terminated	-	-	(1,150,000)	0.20
Exercised	-	-	-	-
Balance, end of period	5,700,000	0.26	5,700,000	0.24

<u>Restricted Share Units</u>

On February 15, 2022, 300,000 restricted share units ("**RSU**") were exercised, and accordingly 300,000 Common Shares were issued. The Corporation has recorded the issuance to share capital offset by contributed surplus $49,500.

On February 19, 2023, 5,000,000 RSU's were issued. The Corporation recorded the issuance to share capital and reduced contributed surplus by $832,346.

For the Period, the Corporation recorded share-based compensation related to RSU of $Nil (March 31, 2023 - $14,127).

16) Basic and diluted income per share

The basic and dilutive earnings per share have been calculated using the weighted average number of Common Shares outstanding during the Period. Since there are no items of a dilutive nature, the basic and dilutive share amounts are the same. The total basic and dilutive weighted average number of Common Shares for March 31, 2024 is 64,536,330 (March 31, 2023 – 59,201,182).

	March 31, 2024 $	March 31, 2023 $
Loss attributable to shareholders	(641,206)	(215,894)
Basic and diluted weighted average number of common shares	90,837,544	60,353,178
Basic and diluted loss per share	(0.01)	(0.00)

20) Changers in Working Capital and Other

The net change in the non-cash working capital balances related to continuing operations is calculated as follows:

Change in working capital is comprised of	March 31, 2024 $	March 31, 2023 $
Accounts receivables and accrued receivables	45,716	(54,560)
Government receivables	4,651	(4,977)
Government payables	-	(18,778)
Prepaids expenses and deposits	15,332	18,569
Inventory	(296,864)	-
Accounts payable and accrued liabilities	285,750	(14,309)
Customer deposits	-	200,015
Unearned revenue	15,249	(26,726)
	69,834	**99,234**

21) Financial Risk Management

Management’s risk management policies are typically performed as a part of the overall management of the Corporation’s operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Corporation is exposed to a number of risks that can affect its operating performance. Management’s close involvement in operations helps identify risks and variations from expectations. The Corporation has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Corporation, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

***a)* Credit risk**

The risk of financial loss in the event of failure of a customer or counterparty to a financial instrument to meet its contractual obligation is defined as credit risk. The Corporation's principal exposure to credit risk is in respect to its accounts receivable. In order to reduce the risk on its accounts receivable, the Corporation has adopted credit policies which mandate performing an ongoing credit review of all its customers and establishing allowances for bad debts when the amounts are not collectible. The allowance for bad debt at March 31, 2024 was $Nil (December 31, 2022 - $Nil).

Due to the nature of the Corporation’s operations, Management considers accounts receivable outstanding for 90 days or less, to be current amounts. Over 90 days are also considered current, if extended terms exist and security is provided, or amounts are subject to contract restrictions and performance markers. The aging of the Corporations accounts receivable at March 31, 2024 and December 31, 2023 is as follows:

	Current $	Over 90 Days $	Total $
Aging of accounts receivable at March 31, 2024	31,459	5,233	36,692
Aging of accounts receivable at December 31, 2023	77,281	5,127	82,408

b) **Currency risk**

The Corporation is exposed to currency risk as a certain portion of sales and expenses are incurred in US dollars resulting in US denominated accounts receivable and accounts payable. These balances are, therefore, subject to gains and losses due to fluctuations in that currency in relation to the Canadian dollar. The Canadian dollar equivalent amounts of the balances denominated in US funds are:

	March 31, 2024 $	December 31, 2023 $
Cash	141	511

c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's only interest-bearing financial instrument held throughout the period had a variable rate of interest (December 31, 2023 – variable rate of interest).

d) **Liquidity risk**

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The Corporation's main sources of liquidity are its operations and equity financing. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Corporation's financial obligations associated with financial liabilities.

The timing of cash outflows relating to the financial liabilities are outlined in the table below:

March 31, 2024	**< 1 year $**	**1-2 years $**	**3-5 years $**	**Thereafter $**	**Total $**
Accounts payable and accrued liabilities	596,453	-	-	-	596,453
Lease liability	38,744	4,305	-	-	43,049
Balance	**635,197**	**4,305**	**-**	**-**	**639,502**

December 31, 2023	**< 1 year $**	**1-2 years $**	**3-5 years $**	**Thereafter $**	**Total $**
Accounts payable and accrued liabilities	310,701	-	-	-	310,701
Lease liability	51,659	4,305	-	-	55,964
Balance	**362,360**	**4,305**	**-**	**-**	**366,665**

22) Financial Instruments

Fair Value

For all current assets and liabilities, the difference between cost and fair value is assumed to be negligible due to the short-term maturities of these items. The following table provides a summary, by class and level on the fair value hierarchy, of the financial assets and liabilities that are measured at fair value, together with the carrying amounts included in the consolidated statements of financial position, as at March 31, 2024 and December 31, 2023:

		March 31, 2024		December 31, 2023	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
Financial assets					
Amortized cost					
Accounts receivable and accrued receivables		36,692	36,692	82,408	82,408
Government receivables		6,628	6,628	11,279	11,279
Advances to associate		389,196	389,196	365,113	365,113
Fair value through profit and loss					
Cash	1	459,642	459,642	283,382	283,382
Guaranteed investment certificate	1	-	-	-	-
Listed Common Shares	1	203,250	203,250	228,149	228,149
Unlisted common shares	3	50,000	50,000	50,000	50,000
Financial Liabilities					
Amortized cost					
Accounts payable and accrued liabilities		596,453	596,453	310,701	310,701
Lease liabilities		42,339	42,339	54,379	54,379

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2: 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
(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest from financial instruments is recognized in finance costs.

23) Capital Disclosures

There are no restrictions on the Corporation's capital. The Corporation's capital is summarized as follows:

	March 31, 2024 $	December 31, 2023 $
Shareholders' equity	2,902,085	2,932,145

The Corporation's objectives when managing capital are to:

- maintain financial flexibility in order to preserve its ability to meet financial obligations;
- deploy capital to provide an appropriate investment return to its shareholders in the future; and
- maintain a capital structure that allows multiple financing options to the Corporation, should a financing need arise.

The Corporation's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Corporation may raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

24) Segmented Information

Delta has one CGU. ***Delta***'s revenue breaks down into business sectors consisting of five clean energy technology solution revenue generating pillars. The revenue breakdown is as follows:

1) CO_2 capture;
2) Hydrogen Production (CO_2 Capture);
3) Solvent and ethanol purification;
4) Methane collection and destruction; and
5) Carbon credit validation, certification and trading.

The below table reflects revenue by geographical market, based on location of customer, and by market application and the details of net loss and comprehensive loss.

Net loss and comprehensive loss for the Period	CO_2 Capture $	Total $
Revenue		
CO_2 Capture		
Canada	10,860	15,860
Kazakhstan	-	-
China	-	
	10,860	15,860
COGS	(5,837)	(5,837)
Operating expenses	(51,787)	(677,548)
Net interest income	-	13,513
FV gain on listed common shares	-	24,899
Unrealized foreign exchange loss	-	(8,947)
Total		**(641,206)**

Net loss and comprehensive loss for the period ended March 31, 2023	CO_2 Capture $	Total $
Revenue		
CO_2 Capture		
Canada	301,828	301,828
Kazakhstan	78,606	78,606
China	85,118	85,118
	465,552	465,552
COGS	(173,750)	(173,750)
Operating expenses	(59,711)	(871,377)
Net interest income	-	11,248
Stock compensation expense	-	(53,392)
Loss on investment	-	-
FV gain on listed common shares	-	405,825
Total	**-**	**(215,894)**

100% of ***Delta***'s non-current assets are located in Canada.

25) Related Party

Related party transactions include transactions with corporate investors who have representation on the Corporation's Board.

Clearview Financial Services Inc. ("**Clearview**") is a related party due to one common director. During the Period, the Corporation paid $35,001 in consulting (March 31, 2023 - $35,001) and $3,300 in rent expense to Clearview (March 31, 2023 - $3,300). At March 31, 2024, there are amounts payable of $13,940 (March 31, 2023 - $13,850).

During the Period, the Corporation paid $1,400 for motor vehicle allowances to a related party who acts as both a director and an officer (March 31, 2023 - $2,100).

The Corporation has identified all of the directors and officers as its key management personnel. During the Period, the Corporation did not incur transactions with directors and officers, or companies that are controlled by directors or officers of the Corporation, other than disclosed herein.

26) Key Management Compensation

The remuneration of key management personnel included in the Statements of Loss were:

For the period ended	March 31, 2024 $	March 31, 2023 $
Operating wages and consulting		
Salaries and short-term benefits	22,000	44,000
Consulting	35,001	35,001
Stock based compensation		
Stock Options and RSU's	7,125	27,556
Total key management compensation	64,126	106,557

The key management personnel of the Corporation consist of the executive officers and members of the Board. Key management personnel include those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly and indirectly.

The Corporation has employment agreements with the CFO and one director, and a consulting agreement with its President and CEO. Yearly compensation is paid in accordance with the remuneration package agreed upon by the compensation committee and the individual respectively.

Under the director's employment agreement, the Corporation may terminate the agreement without cause, and the employee may terminate for good cause, and in both instances: (i) the Corporation shall be liable to pay, in lieu of notice, or any combination of both, a severance equal to 36 months, based on the base salary and bonus commitments; (ii) all unvested Stock Options and/or RSU will immediately vest and be exercisable. In the event of a change in control, all unvested securities granted or issued shall automatically vest and, at the option of the employee, the employee may resign and be entitled to a lump sum payment equal to the value of his base salary and any bonus, equal to 36 months.

During the Period $2,000 were paid in director fees (March 31, 2023 - $Nil). In addition to their salaries, senior management and directors also participate in the Corporation's share-based compensation plans.