
CHAR Technologies Ltd.
(Formerly Cleantech Capital Inc.)
Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)
(Unaudited)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of CHAR Technologies Ltd. (formerly Cleantech Capital Inc.) (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)**Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

	As at June 30, 2017	As at September 30, 2016
ASSETS		
Current assets		
Cash	\$ 317,300	\$ 1,283,813
Amounts receivable (note 4)	165,695	107,805
Investment tax credits recoverable	26,178	26,178
Prepaid expenses (note 5)	558,047	188,221
Total current assets	1,067,220	1,606,017
Due from related parties (note 16)	3,000	18,000
Property and equipment (note 6)	10,290	16,297
Goodwill (note 3)	910,893	910,893
Intangible assets (note 7)	1,032,500	1,121,000
Total assets	\$ 3,023,903	\$ 3,672,207
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 8 and 16)	\$ 47,317	\$ 135,060
Loans payable (note 9)	625	3,438
Total current liabilities	47,942	138,498
Deferred taxes	27,145	27,145
Total liabilities	75,087	165,643
Shareholders' equity		
Share capital (note 10)	3,869,361	3,869,361
Reserves (notes 12 and 13)	255,969	150,857
Contributed surplus	53,744	53,744
Deficit	(1,230,258)	(567,398)
Total shareholders' equity	2,948,816	3,506,564
Total shareholders' equity and liabilities	\$ 3,023,903	\$ 3,672,207

Nature of business and going concern (note 1)**Approved on behalf of the Board:**

(Signed) "William White", Director

(Signed) "Ian Anderson", Director

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these statements.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Revenue	\$ 842	\$ 218,442	\$ 11,111	\$ 218,442
Cost of revenue	(281)	(187,482)	(281)	(187,482)
Gross profit	561	30,960	10,830	30,960
Expenses				
Research and development	103,872	55,309	131,459	55,309
Professional fees	14,137	38,897	55,424	44,651
Consulting fees	59,847	-	148,761	-
Office expenses	58,886	25,345	153,210	29,145
Regulatory and filing fees	3,974	7,269	19,434	27,470
Depreciation (note 6)	2,002	5,820	6,007	5,820
Amortization (note 7)	29,500	-	88,500	-
Share-based payments	3,383	-	105,112	-
Loss from operations	(275,040)	(101,680)	(697,077)	(131,435)
Grant income	5,894	-	34,217	-
Net loss and comprehensive loss for the period	\$ (269,146)	\$ (101,680)	\$ (662,860)	\$ (131,435)
Net loss per share - basic and diluted (note 11)	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average common shares outstanding				
- basic and diluted (note 11)	33,522,276	33,522,276	33,522,276	20,817,618

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these statements.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)**Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

	Nine Months Ended June 30,	
	2017	2016
Operating activities		
Net loss for the period	\$ (662,860)	\$ (131,435)
Adjustments for:		
Share-based payments	105,112	-
Depreciation	6,007	5,820
Amortization	88,500	-
Net change in non-cash working capital:		
Amounts receivable	(57,890)	(290,337)
Prepaid expenses	(369,826)	1,000
Due from related parties	15,000	-
Accounts payable and accrued liabilities	(87,743)	146,998
Net cash used in operating activities	(963,700)	(267,954)
Investing activity		
Cash acquired on Amalgamation (note 3)	-	492,085
Net cash provided by investing activity	-	492,085
Financing activities		
Proceeds from issuance of common shares, net of costs	-	543,010
Costs associated with Amalgamation (note 3)	-	(186,626)
Repayment of long-term loans payable	(2,813)	(163)
Net cash (used in) provided by financing activities	(2,813)	356,221
Net change in cash	(966,513)	580,352
Cash, beginning of period	1,283,813	929,131
Cash, end of period	\$ 317,300	\$ 1,509,483

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these statements.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Reserves				Total
	Number of Shares	Amount	Warrant Reserve	Equity Settled Share-Based Payments Reserve	Contributed Surplus	Deficit	
Balance, September 30, 2015	14,500,001	\$ 972,940	\$ 31,269	\$ 132,605	\$ -	\$ (230,772)	\$ 906,042
Common shares issued for private placement (note 3)	3,522,280	607,447	-	146	-	-	607,593
Common shares issued pursuant to Amalgamation (note 3)	15,499,995	2,673,749	-	-	-	-	2,673,749
Issuance costs, net of tax	-	(251,209)	-	-	-	-	(251,209)
Net loss for the period	-	-	-	-	-	(131,435)	(131,435)
Balance, June 30, 2016	33,522,276	\$ 4,002,927	\$ 31,269	\$ 132,751	\$ -	\$ (362,207)	\$ 3,804,740
Balance, September 30, 2016	33,522,276	\$ 3,869,361	\$ -	\$ 150,857	\$ 53,744	\$ (567,398)	\$ 3,506,564
Share-based payments	-	-	-	105,112	-	-	105,112
Net loss for the period	-	-	-	-	-	(662,860)	(662,860)
Balance, June 30, 2017	33,522,276	\$ 3,869,361	\$ -	\$ 255,969	\$ 53,744	\$ (1,230,258)	\$ 2,948,816

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these statements.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of business and going concern

CHAR Technologies Ltd. (formerly Cleantech Capital Inc.) (the "Company" or "CHAR") was a Capital Pool Company as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The Company's principal business was to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

On March 31, 2016, as described in note 3, the Company completed its qualifying transaction (the "Qualifying Transaction") with CHAR Technologies Inc. ("Original CHAR"). The Qualifying Transaction involved a three-cornered amalgamation in which Original CHAR amalgamated with a new wholly owned subsidiary of the Company, 2500281 Ontario Inc. formed solely for the purpose of facilitating the transaction (the "Amalgamation"). Immediately prior to the completion of the Qualifying Transaction, the Company changed its name to CHAR Technologies Ltd.

The Company continues to be listed on the Exchange trading under the symbol YES.V. The Company's head office address is 2425 Matheson Boulevard East, 8th floor, Mississauga, Ontario, L4W 5K4.

CHAR is a technology company that specializes in commercializing a hydrogen sulfide recovery system to solve a global problem caused by toxic and corrosive hydrogen sulfide in the biogas industry.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company 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 and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cast doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$1,230,258 as at June 30, 2017 (September 30, 2016 - \$567,398). The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at June 30, 2017, the Company had current assets of \$1,067,220 (September 30, 2016 - \$1,606,017) to cover current liabilities of \$47,942 (September 30, 2016 - \$138,498).

On August 28, 2017, the Board of Directors approved these condensed interim consolidated financial statements.

2. Significant accounting policies

(a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(a) Statement of compliance (continued)

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 28, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended September 30, 2016, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending September 30, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Basis of consolidation

The unaudited condensed interim consolidated financial statements include the accounts of the Company together with its subsidiary. All intercompany transactions and balances have been eliminated. The unaudited condensed interim consolidated financial statements of CHAR and its subsidiaries CHAR Technologies Inc. and 2500281 Ontario Inc. are consolidated from the date that control commences until the date that control ceases. A change in the ownership of its subsidiaries, without a loss of control, is accounted for as an equity transaction.

(c) Critical areas of estimation and judgments in applying accounting policies include the following:

Going concern

As discussed above, these consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

Deferred taxes

The calculation of deferred taxes is based on assumptions which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future period could be material. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Useful lives of property and equipment and intangibles

As described above, the Company reviews the estimated useful lives of property and equipment and intangibles with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the period ended June 30, 2017, the Company was not required to adjust the useful lives of any assets based on the factors described above.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(c) Critical accounting judgments and key sources of estimation uncertainty (continued)

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. The Company has disclosed the terms of the business combination in Note 3.

Investment tax credits recoverable

Investment tax credits are recorded based on management's estimate that all conditions attached its receipt have been met. The Company has significant tax credits recoverable and expects to continue to apply for future tax credits as their research and development activities remain applicable. Therefore, the estimates related to the recoverability of these tax credits are important to the Company's financial position.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of loss and comprehensive loss in the periods which they become known.

Share-based payments

The Company estimates the fair value of convertible securities such as warrants and options using the Black-Scholes option-pricing model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected dividends.

(d) Future accounting pronouncements

Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are listed below. This list is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"). The Company will be required to adopt amendments to IFRS 7, requiring increased disclosure regarding derecognition of financial assets and the continuing involvement accounting for annual periods beginning on or after December 1, 2016. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 7 will have on the Company's financial statements.

IFRS 9, *Financial Instruments*, ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

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2. Significant accounting policies (continued)

(d) Future accounting pronouncements (continued)

IFRS 15, *Revenue from Contracts and Customers* ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, revenue, IAS 11, construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16, *Leases* ("IFRS 16") was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on December 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company's financial statements.

3. Qualifying Transaction

On March 31, 2016, the Company completed its Qualifying Transaction with Original CHAR. The Qualifying Transaction involved a three-cornered amalgamation in which Original CHAR amalgamated with a new wholly owned subsidiary of the Company, 2500281 Ontario Inc. formed solely for the purpose of facilitating the transaction (the "Amalgamation"). Immediately prior to the completion of the Qualifying Transaction, the Company changed its name to CHAR Technologies Ltd.

Pursuant to the Amalgamation, the Company indirectly acquired all of the issued and outstanding shares of Original CHAR (the "CHAR Shares"), being 313,875 CHAR shares and issued 15,499,995 common shares of the Company on the basis of approximately 49.382716 shares for each one CHAR Share.

For accounting purposes, the Company is considered the accounting acquirer and Original CHAR is considered the acquired company in accordance with *IFRS 3 Business Combinations*. Accordingly, the acquisition of Original CHAR is accounted at the fair value of the equity instruments issued to the shareholders of Original CHAR. The excess of consideration over the net assets acquired has been recorded as goodwill. Goodwill represents cost savings and other benefits expected to result from combining the operations of Original CHAR with those of the Company and intangible assets that do not qualify for separate recognition.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

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(Unaudited)

3. Qualifying Transaction (continued)

The fair value of the consideration is as follows:

Issuance of 15,499,995 CHAR shares	\$ 2,337,327
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The consideration has been allocated as follows:

Cash	\$ 492,085
Investment tax credits recoverable	26,178
Amounts receivable	17,386
Prepaid expenses	11,220
Due from related parties	3,000
Property and equipment	23,249
Accounts payable and accrued liabilities	(64,548)
Long-term payable	(39,538)
Goodwill	910,893
Deferred tax liability	(222,598)
Intangible asset: Purchased technology	1,180,000
	<hr/>
	\$ 2,337,327

The value of the common shares was based on the concurrent private placement price of \$0.1725 and factoring an appropriate restricted stock discount related to shares held in escrow as disclosed in note 10.

On February 29, 2016 and March 10, 2016, in connection with the Amalgamation, CHAR completed brokered private placements of an aggregate of 3,522,280 Subscription Receipts at a price of \$0.1725 per Subscription Receipt, for aggregate gross proceeds of \$607,593. An aggregate of 1,826 Compensation Options were issued to the Agent of the private placement. Share issuance costs of \$48,353 (net of tax) were incurred for this private placement.

These Compensation Options were assigned a value of \$146 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.54%
- Expected life: 2 years;
- Expected volatility: 100% based on comparable companies; and
- Weighted average share price: \$0.1725.

The Company completed a goodwill impairment test as at September 30, 2016 using the fair value less costs to sell ("FVLCS") approach. The following are the key assumptions upon which management based its determination of the recoverable amount of the cash generating unit.

Cash flow projections have been discounted using a discount rate derived from the Company's pre-tax weighted average cost of capital adjusted for specific risks relating to the cash generating unit. At September 30, 2016, the pre-tax discount rate used in the fair value less costs to sell analysis was 49.0%. The cash flow forecasts were extrapolated beyond the nine year projection period using an estimated long term growth rate of 3.0%.

As at September 30, 2016, a 1.0% increase in the pre-tax discount rate results in a decline in the recoverable amount of the cash generating unit of approximately \$109,000. A 3.0% increase in the pre-tax discount results in an impairment in the amount of \$97,000 of the cash generating unit.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

4. Amounts receivable

	June 30, 2017	September 30, 2016
Trade receivables	\$ 452	\$ 41,983
HST receivable	165,243	65,822
Total amounts receivable	\$ 165,695	\$ 107,805

5. Prepaid expenses

	June 30, 2017	September 30, 2016
Prepayment of equipment	\$ 534,934	\$ 168,760
Other Prepaid expenses	23,113	19,461
Total prepaid expenses	\$ 558,047	\$ 188,221

6. Property and Equipment

Cost	Computer Equipment	Production Equipment	Total
Balance, September 30, 2015	\$ -	\$ -	\$ -
Acquired on Amalgamation (note 3)	423	22,826	23,249
Additions	801	-	801
Balance, September 30, 2016 and June 30, 2017	\$ 1,224	\$ 22,826	\$ 24,050
Accumulated depreciation	Computer Equipment	Production Equipment	Total
Balance, September 30, 2015	\$ -	\$ -	\$ -
Depreciation	130	7,623	7,753
Balance, September 30, 2016	\$ 130	\$ 7,623	\$ 7,753
Additions	306	5,701	6,007
Balance, June 30, 2017	\$ 436	\$ 13,324	\$ 13,760
Net book value	Computer Equipment	Production Equipment	Total
Balance, September 30, 2016	\$ 1,094	\$ 15,203	\$ 16,297
Balance, June 30, 2017	\$ 788	\$ 9,502	\$ 10,290

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

7. Intangible assets

Cost	Purchased Technology
Balance, September 30, 2015	\$ -
Acquired on Amalgamation (note 3)	1,180,000
Balance, September 30, 2016 and June 30, 2017	\$ 1,180,000
Accumulated amortization	Purchased Technology
Balance, September 30, 2015	\$ -
Amortization	59,000
Balance, September 30, 2016	\$ 59,000
Additions	88,500
Balance, June 30, 2017	\$ 147,500
Net book value	Purchased Technology
Balance, September 30, 2016	\$ 1,121,000
Balance, June 30, 2017	\$ 1,032,500

8. Accounts payable and accrued liabilities

	June 30, 2017	September 30, 2016
Trade accounts payable	\$ 28,348	\$ 44,666
Due to related parties	969	40,136
Accrued liabilities	18,000	50,258
Total accounts payable and accrued liabilities	\$ 47,317	\$ 135,060

As at June 30, 2017, \$nil (September 30, 2016 - \$21,307) of accounts payable and accrued liabilities has been outstanding for more than 90 days, which represents nil% (September 30, 2016 - 4%) of the Company's accounts payable and accrued liabilities.

9. Loan payable

On August 29, 2012, Original CHAR signed a loan agreement with Futurpreneur Canada (formerly "CYBF"), under which the lender loaned \$15,000 with full repayment due August 29, 2017. The loan payable bears interest at 2.85% floating rate per annum. As at June 30, 2017, the Company owed CYBF \$625 (September 30, 2016 - \$3,438).

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

10. Share capital

(a) Authorized share capital

Unlimited number of common shares, with no par value.

(b) Issued common shares

	Number of Shares	Amount
Balance, September 30, 2015	14,500,001	\$ 972,940
Common shares issued for private placement (note 3)	3,522,280	607,593
Common shares issued pursuant to Amalgamation (note 3)	15,499,995	2,673,749
Cost of issue - cash	-	(251,209)
Cost of issue - compensation options (note 3)	-	(146)
Balance, June 30, 2016	33,522,276	\$ 4,002,927
Balance, September 30, 2016 and June 30, 2017	33,522,276	\$ 3,869,361

(c) Escrowed shares

CPC Escrow Agreement

The 6,025,001 issued and outstanding common shares from the seed financing are held in escrow as per the CPC Escrow Agreement pursuant to the requirements of the Exchange. These escrowed shares will be released as follows:

Tier 2 Issuer % of Common Shares Released from Escrow	Release Date
10%	Date of Final Exchange Bulletin - April 26, 2016
15%	6 months from Final Exchange Bulletin
15%	12 months from Final Exchange Bulletin
15%	18 months from Final Exchange Bulletin
15%	24 months from Final Exchange Bulletin
15%	30 months from Final Exchange Bulletin
15%	36 months from Final Exchange Bulletin

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final Exchange bulletin is issued.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

As at June 30, 2017, there were 3,615,001 common shares held in escrow pursuant to the requirements of the Exchange.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

10. Share capital (continued)

(c) Escrowed shares (continued)

Qualifying Transaction Escrow Agreement

The Qualifying Transaction Escrow Shares are subject to escrow as a result of the completion of the Qualifying Transaction pursuant to Exchange Policy 5.4. Pursuant to the Qualifying Transaction Escrow Agreement, escrowed shares will be released as follows:

Tier 2 Issuer % of Common Shares Released from Escrow	Release Date
5%	Date of Final Exchange Bulletin - April 26, 2016
5%	6 months from Final Exchange Bulletin
10%	12 months from Final Exchange Bulletin
10%	18 months from Final Exchange Bulletin
15%	24 months from Final Exchange Bulletin
15%	30 months from Final Exchange Bulletin
40%	36 months from Final Exchange Bulletin

As at June 30, 2017, there were 6,990,945 common shares held in escrow pursuant to the requirements of the Exchange.

Shares Subject to Resale Restrictions ("Value Escrow")

There are 4,222,222 common shares held by arm's length parties which are subject to Tier 2 Value Escrow. Pursuant to the Qualifying Transaction Escrow Agreement, escrowed shares will be released as follows:

Tier 2 Issuer % of Common Shares Released from Escrow	Release Date
10%	Date of Final Exchange Bulletin - April 26, 2016
15%	6 months from Final Exchange Bulletin
15%	12 months from Final Exchange Bulletin
15%	18 months from Final Exchange Bulletin
15%	24 months from Final Exchange Bulletin
15%	30 months from Final Exchange Bulletin
15%	36 months from Final Exchange Bulletin

As at June 30, 2017, there were 2,533,334 common shares held in escrow pursuant to the requirements of the Exchange.

11. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended June 30, 2017 was based on the loss attributable to common shareholders of \$269,146 and \$662,860, respectively (three and nine months ended June 30, 2016 - \$101,680 and \$131,435, respectively) and the weighted average number of common shares outstanding of 33,522,276 (three and nine months ended June 30, 2016 - 33,522,276 and 20,817,618, respectively). Stock options have an anti-dilutive effect on the diluted loss per share disclosed in the statements of loss and comprehensive loss and therefore were not included in the diluted loss per share calculation.

CHAR Technologies Ltd. (Formerly Cleantech Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

12. Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, September 30, 2015	595,000	0.10
Expired	(595,000)	0.10
Balance, June 30, 2016	-	-
Balance, September 30, 2016 and June 30, 2017	-	-

13. Stock options

The following table reflects the continuity of stock options for the periods presented:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, September 30, 2015	1,450,000	0.11
Granted (note 3)	1,826	0.11
Balance, June 30, 2016	1,451,826	0.11
Balance, September 30, 2016	2,111,826	0.13
Granted (i)	720,000	0.18
Cancelled	(250,000)	0.10
Balance, June 30, 2017	2,581,826	0.15

(i) On January 27, 2017, the Company granted 720,000 stock options to directors, officers and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.18 per share. An aggregate of 500,000 options vested immediately and the remaining 220,000 options granted to a consultant of the Company will vest subject to, the successful completion of specific business development milestones.

A value of \$96,480 was estimated for the 720,000 stock options on the date of grant with the following assumptions and inputs: share price of \$0.18; exercise price of \$0.18; expected dividend yield of 0%; expected volatility of 100% which is based on comparable companies; risk-free interest rate of 1.14%; and an expected average life of five years.

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(Expressed in Canadian Dollars)

(Unaudited)

13. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2017:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
January 7, 2019	0.10	1.52	1,000,000	1,000,000	-
April 21, 2019	0.16	1.81	200,000	200,000	-
March 31, 2018	0.22	0.75	1,826	1,826	-
August 25, 2021	0.1725	4.16	660,000	360,000	300,000
January 27, 2022	0.18	4.58	720,000	500,000	220,000
	0.15	3.07	2,581,826	2,061,826	520,000

14. Capital management

The Company includes equity, which is comprised of share capital, reserves and deficit, in the definition of capital.

The Company's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities. The Company has no externally imposed capital requirements. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

15. Financial instruments and risk management

Risk management

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Company's cash include cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any significant interest bearing assets or liabilities.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company's strategy is to satisfy its liquidity needs using cash on hand, and cash flow provided by financing activities. As at June 30, 2017, the Company had a cash of \$317,300 to settle current liabilities of \$47,942. The Company's accounts payable and accrued liabilities and loans payable are due within one year from the date of the statement of financial position.

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(Unaudited)

15. Financial instruments and risk management (continued)

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the Company's cash, amounts receivable, due from related parties and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature. Loans payable are also fairly reflected by its book value as they have been financed at interest rates which are similar to current market interest rates.

16. Related party balances and transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The transactions with related parties are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Boyle & Co. LLP ("B & Co.") (i)	\$ -	\$ -	\$ -	\$ 117,790
Marrelli Support Services Inc. ("MSSI") (ii)	\$ 6,000	\$ 1,570	\$ 18,000	\$ 1,570
DSA Corporate Services ("DSA") (iii)	\$ 2,498	\$ 751	\$ 7,467	\$ 751
1456087 Ontario Inc. ("1456087") (iv)	\$ 15,000	\$ 10,000	\$ 45,000	\$ 10,000
Merko-Nicholson Inc. ("Merko-Nicholson") (v)	\$ 15,000	\$ -	\$ 45,000	\$ -

(i) A former officer and director of the Company is a partner of B & Co. The transactions are for legal services provided by B & Co. to the Company.

(ii) The Chief Financial Officer of the Company is a senior employee of MSSI.

(iii) DSA is affiliated with MSSI through a common officer. DSA provides corporate secretarial services. As at June 30, 2017, DSA was owed \$969 (September 30, 2016 - \$1,319). These amounts are included in accounts payable and accrued liabilities.

(iv) 1456087 is a company controlled by James Sbrolla, a director of the Company. 1456087 provides consulting services to the Company.

(v) Merko-Nicholson is a company controlled by the Chief Operations Officer of the Company. Merko-Nicholson provides consulting services to the Company.

Remuneration of key management of the Company was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Salaries	\$ 21,875	\$ 18,750	\$ 59,375	\$ 18,750
Share based payments	\$ 3,383	\$ -	\$ 101,092	\$ -

As at June 30, 2017, the Company owed \$nil (September 30, 2016 - \$38,817) in accrued salaries to an executive officer of the Company and this amount was included in accounts payable and accrued liabilities.

As at June 30, 2017, an executive officer owed the Company \$nil (September 30, 2016 - \$15,000). As at June 30, 2017, there was \$3,000 (September 30, 2016 - \$3,000) due from a shareholder of Original CHAR, which was acquired on Amalgamation. These amounts were included in due from related parties.

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Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2017 and 2016

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(Unaudited)

15. Related party balances and transactions (continued)

To the knowledge of the directors and senior officers of the Company, as at June 30, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than as set out below:

	Number of common shares	Percentage of outstanding shares (approx.)
James Sbrolla	4,896,606	14.6%
Andrew White	4,870,000	14.6%

The remaining 70.8% of the shares are widely held, which includes various small holdings which are owned by directors and officers of the Company. The holding can change at any time at the discretion of the owner, subject to Exchange escrow agreement.