

CHAR TECHNOLOGIES LTD.

ANNUAL INFORMATION FORM

For the Financial Year Ended September 30, 2020

October 25, 2021

403-789 Don Mills Road

Toronto, ON

M3C 1T5

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PRESENTATION OF INFORMATION

Terms Of Reference

In this Annual Information Form (the "AIF"), unless the context otherwise dictates, references to the "Company", "CHAR", "we" and "our" refer to CHAR Technologies Ltd. and references to "Altech" refers to Altech Environmental Consulting Ltd. and its wholly owned subsidiaries, which were acquired by CHAR on January 1, 2018.

Unless otherwise indicated, the information contained in this AIF is current as of September 30, 2020, with subsequent events disclosed to October 25, 2021.

All references to dollars (\$) in this AIF are expressed in Canadian dollars, unless otherwise indicated.

Market Data

Unless otherwise indicated, information contained in this AIF concerning the industry and markets in which the Company operates, including its general expectations and market position, market opportunity and market share is based on publicly available information from independent industry organizations, and other third-party sources (including industry publications, surveys, and forecasts), and management estimates.

Unless otherwise indicated, the management estimates in this AIF are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from the Company's internal research, and are based on assumptions made by the Company based on such data and its knowledge of such industry and markets, which the Company believes to be reasonable. The Company's internal research has not been verified by any independent source, and it has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this AIF is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under "Risk Factors".

Trademarks and Trade Names

This AIF and the documents incorporated herein by reference include references to the Company's trademarks, which are protected under applicable intellectual property laws and are the Company's property. The Company's trademarks and trade names referred to herein and the documents incorporated herein by reference may appear without the ® or ™ symbol, but references to the Company's trademarks and trade names in the absence of such symbols are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names. All other trademarks and trade names used in this AIF or in documents incorporated herein by reference are the property of their respective owners.

Non-IFRS Measures

Management evaluates the Company's performance using a variety of non-IFRS, including "Potential Sales Pipeline" as set out in this AIF. These non-IFRS measures should not be considered as an alternative to or more meaningful than revenue or net loss. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures

determined in accordance with IFRS. The Company believes these non-IFRS financial measures provide useful information to both management and investors in measuring the business prospects, financial performance and financial condition of the Company. As used herein, the term "IFRS" refers to the International Financial Reporting Standards as adopted by the International Accounting Standards Board.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This AIF contains certain forward-looking information and forward looking statements within the meaning of applicable Canadian securities laws ("**forward-looking statements**"). Forward-looking statements describe the Company's future plans, strategies, expectations, and objectives, and are generally, but not always, identifiable by use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology.

Forward-looking statements contained in this AIF include, without limitation, statements regarding:

- the Company's expectations regarding its revenue, expenses and operations;
- the Company's anticipated cash needs and its need for additional financing;
- the Company's plans for and timing of expansion of its services;
- the Company's ability to convert its pipeline of prospective pyrolysis opportunities into revenue;
- the achievement by the Company's customers of the conditions precedent to proceeding with pyrolysis projects under contract with the Company;
- the Company's ability to participate in the development of renewable natural gas ("**RNG**") projects, green hydrogen projects and biocarbon projects;
- the Company's efforts regarding strategic growth initiatives;
- the Company's future growth plans;
- the effects of the current COVID-19 pandemic on the Company;
- the Company's ability to attract and retain personnel;
- the Company's competitive position and its expectations regarding competition; and
- anticipated trends and challenges in the Company's business and the markets in which it operates.

Forward-looking information is based on the reasonable assumptions, estimates, analysis, and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Key assumptions upon which the Company's forward-looking information are based include:

- those relating to general economic conditions;

- those related to the Company's pipeline of known sales opportunities;
- the Company being successful in earning revenues from the Company's present sales order backlog and converting a portion of its Potential Sales Pipeline into sales orders;
- the satisfaction by the Company's customers of conditions precedent relating to current contracts with the Company for future pyrolysis projects;
- legislative and regulatory environments where the business of the Company operates including Canada, the United States and Europe;
- the impact of the current COVID-19 pandemic on the Company's operations;
- the impact of increasing competition; and
- the Company's ability to obtain regulatory and environmental approvals necessary to the operations of its business.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Forward looking statements are also subject to risks and uncertainties facing the Company's business, any of which could have a material impact on its outlook.

Some of the risks the Company faces and the uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements include:

- resource constraints and growth pressures;
- disruptions and delays due to permitting requirements and a variety of other reasons;
- revenues are expected to be largely derived from a relatively small number of orders and projects;
- timing of revenue may cause fluctuations in financial results;
- attraction and retention of key personnel;
- potential for intense competition from other companies;
- foreign subsidiary and foreign operations;
- achievement of future financing and revenue requirements is not assured;
- dependency on markets for organic feedstock, RNG, green hydrogen, and biocarbon products;
- sole sourcing of core high temperature pyrolysis (“HTP”) system equipment;
- HTP system performance failures;
- insurance coverage may be inadequate or unavailable;
- loss of certain intellectual property;
- financial instruments and risk management;
- discretion in the use of available funds;

- additional capital requirements;
- potential conflicts of interest; and
- impacts of COVID-19 on the Company's business.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under "Risk Factors" should be considered carefully by readers. Accordingly, readers should not place undue reliance on forward looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

All of the forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements.

CORPORATE STRUCTURE

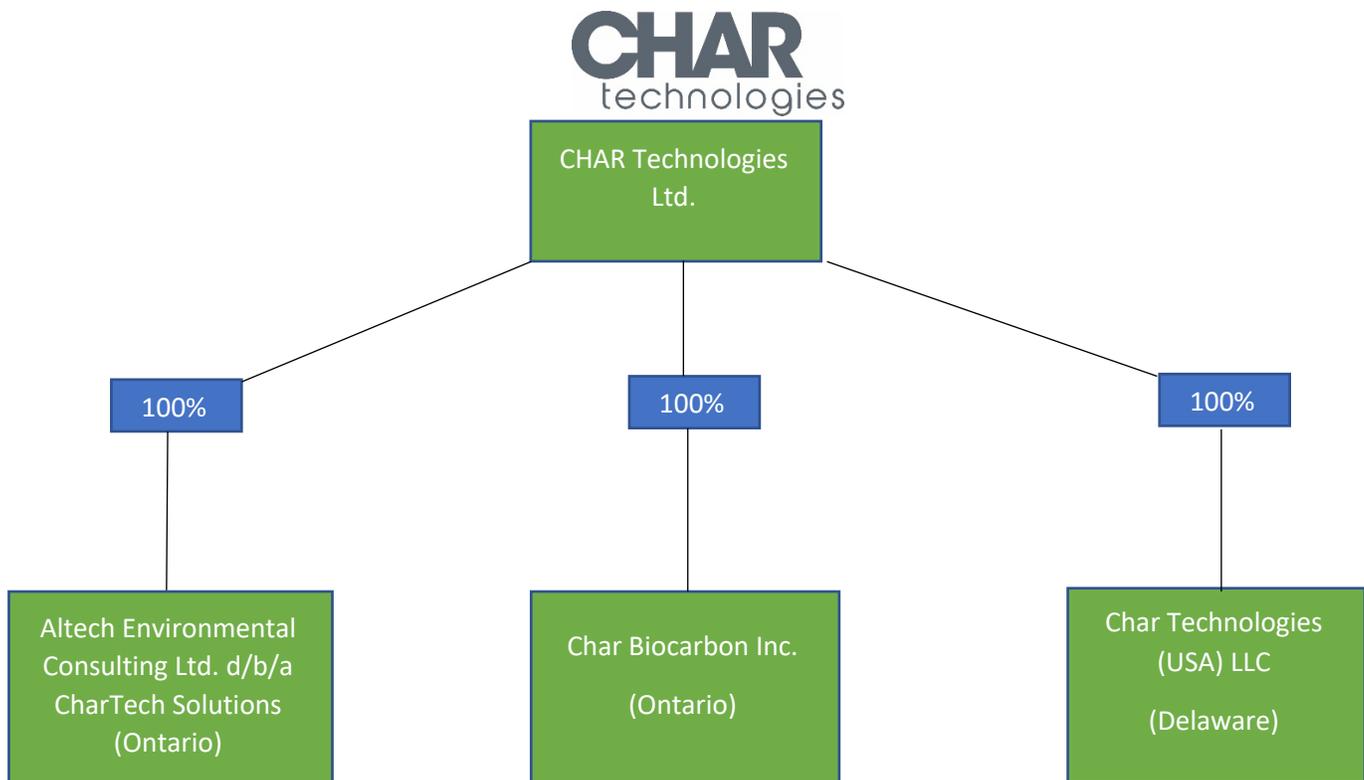
CHAR Technologies Ltd. is a corporation incorporated under the laws of the Province of Ontario, with its head and registered office address at 403-789 Don Mills Road, Toronto, ON. M3C 1T5.

The Company was incorporated under the name "CleanTech Capital Corp." on October 3, 2013.

On January 14, 2014, the Company was listed on the TSX Venture Exchange (the "TSXV") as a "capital pool company". On March 31, 2016, the Company completed its Qualifying Transaction (as such term is defined in the policies of the TSXV), which involved a three-cornered amalgamation in connection with which CHAR Technologies Inc. amalgamated with 2500281 Ontario Inc., a wholly owned subsidiary of the Company 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 CHAR Technologies Inc. (the "Char Inc. Shares") and issued shares of the Company on the basis of approximately 49.382716 shares for each one Char Inc. Share.

Intercorporate Relationships

CHAR's business is carried on both directly and through its various wholly owned subsidiaries. The following chart illustrates, as at the date of this AIF, the Company's material subsidiaries, including their respective jurisdictions of incorporation and percentage of voting securities in each that are held by the Company:



DESCRIPTION OF THE BUSINESS

Introduction

CHAR is a leading cleantech development and services company, specializing in using High Temperature Pyrolysis (“HTP”) to convert organic waste into clean energy and biocarbon products. Additional services include custom equipment for industrial water treatment, and providing services in environmental compliance, environmental management, site investigation and remediation, engineering and resource efficiency.

We deliver innovative technology and service solutions to provide the benefits of being both environmentally sustainable and cost-effective for our clients. Focusing on resource efficiency and recovery, low value material conversion, and clean water treatment, CHAR’s services and solutions aim to significantly improve the environment and reduce costs. Examples include:

- CHAR’s proprietary HTP technologies convert low value wastes to high value usable biocarbon end products and renewable energy, such as Renewable Natural Gas (“RNG”) and green hydrogen fuels.
- CHAR’s consulting engineering services help industrial and commercial clients reach their own corporate targets by minimizing their environmental footprints related to carbon emissions, resources, and waste.
- CHAR’s water technologies and related services help reduce consumption and increase conservation of fresh water, optimize facility use and reduce discharges of this precious resource.
- CHAR’s energy efficiency engineering capabilities help lower industrial clients’ emissions through energy audits and design/build/installation of energy efficiency upgrades at their facilities. CHAR helps clients reduce natural gas combustion and electrical energy consumption, which allows them to save supply costs, reduce carbon taxes and reduce their reportable Scope 1 and Scope 2 GHG emissions.

Overview

CHAR focuses on commercial opportunities to deploy our HTP process, used to produce various biocarbons, including CleanFyre and SulfaCHAR, utilizing low value or waste streams as feedstock, including woody biomass, compost and biosolids. Additional services include custom equipment for industrial water treatment, and providing services in environmental compliance, environmental management, site investigation and remediation, engineering and resource efficiency.

CHAR’s HTP systems convert various waste streams, such as woodwaste, digestate and biosolids, into valuable offtake commodities, such as green hydrogen and RNG, as well as a biocarbon products. CHAR is targeting a number of vertical markets, such as the waste management industry, steel, lumber and cement. CHAR’s mission is to help decarbonize high GHG sectors and provide a means of safe destruction of many toxic chemicals.

CHAR’s production of low-carbon and carbon-negative RNG and green hydrogen are suitable for injection into the natural gas grid and for direct use as vehicle fuels. The HTP systems, marketed and sold by the Company under the CharTech Solutions brand, can convert digestate from the anaerobic decomposition

of organic waste at landfills, wastewater treatment plants, farms, food waste streams, and other feedstock sources into valuable offtake commodities as mentioned above. To CHAR's knowledge, we are the only company in North America that is able to use HTP to create multiple offtakes, including a gas and a solid. We use a capital-light business model which is modular in nature and utilizes fully outsourced manufacturing managed by a team of supply chain professionals.

On January 1, 2018, CHAR acquired Altech and its wholly owned subsidiaries, to provide CHAR with engineering service capabilities that would complement its research and development of its core technologies while minimizing cash flow requirements. The engineering services sold and used internally were built on over 30 years industry experience, patented and proprietary technology.

The market for CHAR's products and services is expected to grow as an increasing number of corporations and individuals act on their sustainability targets and governments around the world enact and strengthen environmental policies designed to combat climate change by promoting clean, low- carbon and carbon-negative solutions and divert organic waste away from landfills and into a circular economy as the world's population continues to expand.

The Company is expanding its business to increase exposure to attractive RNG offtake, green hydrogen and biocarbon contracts by engaging in the development of and investment in new pyrolysis projects, with the objective of creating opportunities for new recurring revenue and profits. The Company is also evaluating several strategic opportunities that it believes may add to the growth of the Company's business, which may include pursuing attractive acquisition opportunities as the industry grows and evolves, adding system capabilities for green hydrogen production as markets develop, and strategic alliances to expand upon the Company's technology solutions.

Business Segments

The Company has three reportable business segments: CharTech Solutions, CHAR Biocarbon, and Altech Environmental Consulting.

CharTech Solutions focuses on development and sales of HTP systems, as well as on marketing and sales of the high-value syngas, green hydrogen and RNG outputs of the HTP process. CHAR Biocarbon specializes in research and development of innovative, high-value biocarbon products, and marketing and sales of the biocarbon products produced by CHAR's HTP systems. Altech Environmental Consulting focuses on delivery of environmental engineering consulting services.

Each business segment is described in the following sections.

HTP & Water Treatment Systems - CharTech Solutions

Products

CharTech Solution's recent strategic focus and key growth opportunity is on HTP systems, converting organic waste materials into biocarbon and green hydrogen or RNG. Traditionally, CharTech Solutions focused on industrial water treatment systems in industrial manufacturing, with an emphasis on food & beverage manufacturing and firms with zero waste facility mandates. Both product groups are described below in more detail.

HTP Systems

CharTech Solutions currently offers modular HTP systems based on three sizes of kilns, designed to process biomass amounts ranging from approximately 3,500 to 30,000 tonnes per annum (or greater, depending on the attributes of the waste streams involved). Prospective clients are most often interested in the largest system; other intermediate-sized systems are available on a custom-engineered basis. Multiple systems can be installed in parallel to provide larger processing capacities.

In conjunction with the core HTP system equipment, CharTech Solutions specifies, procures, and integrates additional third-party balance-of-plant equipment as required to complete or enhance the end-to-end process. This may include equipment for pre-processing of feedstock (grinding, drying), material handling, syngas processing and upgrading, gas compression and gas analysis.

CharTech Solutions' HTP systems serve three market verticals:

i) Biosolids processing, where the HTP system is used at the backend of a wastewater treatment facility to convert the residual solids (biosolids) into biocarbon and green hydrogen or RNG, while at the same time destroying priority contaminants, including per- and poly-fluorinated alkyl substances (“**PFAS**”) (PFAS are a group of widely used, long lasting chemicals that have been linked to harmful health effects in humans and animals).

ii) Digestate management, where the HTP system is used at the backend of a biogas plant, which itself converts organic waste into biogas and/or RNG. The HTP system is used to further process the digestate (residual solids from the biogas process) into biocarbon and green hydrogen or RNG.

iii) Woody biomass, where the HTP system is a stand-alone facility, processing woody biomass (sawmill residuals, saw dust, wood chips, hog fuel, etc.) into biocarbon and green hydrogen or RNG.

CharTech Solutions intends to use different business models for each market vertical, reflective of the specific characteristics of each vertical. For biosolids, CharTech Solutions will focus on HTP system sales to owners and operators of wastewater treatment facilities and/or biosolids processing facilities, along with associated ongoing service and support revenue opportunities. In the digestate management vertical, systems will be delivered under a “build, own, operate” (“**BOO**”) model where CHAR owns and operates the HTP plant, or a system sale with ongoing service and support revenue opportunities, or a combination of the two known as a BOOT (build, own, operate, transfer), where the system is initially delivered under a BOO model, with an eventual sale to the frontend biogas plant owner. HTP systems for woody biomass will utilize the BOO model, where CHAR owns and operates the plant and earns revenue from sales of the clean gas and biocarbon that it produces.

Every HTP system will be designed to produce either green hydrogen or RNG. These gases can be transported to market by pipeline and/or by road in compressed gas trailers. CharTech Solutions will sell the green hydrogen it produces under long term (3+ years) offtake agreements at the plant gate. For its RNG output, CharTech Solutions intends to secure long-term utility offtakes, and will be responsible for delivering the gas to the gas grid.

Every HTP system, whether producing green hydrogen or RNG, will also produce high-value biocarbon products. This aspect of CHAR's business is discussed further in the “CHAR Biocarbon” section below.

CHAR conducts ongoing research and development (“R&D”) in relation to its HTP systems and products internally, with a team of dedicated resources, as well as outsourcing specific projects and analytical work to various university laboratories and centres. R&D related to the core HTP process is complete, and the HTP system and products from it have been demonstrated to be commercially viable. The focus of current R&D is on continued product development, including the development of additional biocarbon products, and enhancements to pyrolysis gas processing and upgrading to produce green hydrogen and RNG.

CHAR has built, and is currently operating, a commercial-scale HTP system in London, Ontario. This was originally a demonstration system that came into operation in 2018. From that system, CHAR is producing small commercial quantities of biocarbon, using wood waste, which is sold under contract. The system is also used as a platform for some of the R&D efforts described above. In addition, management believes that CHAR is close to commercial production of green hydrogen and RNG, which is anticipated to commence in 2022, which requires the acquisition and installation of existing off-the-shelf equipment, rather than the development of new technologies or processes, and is expected to involve additional expenditures in the \$1.5 - \$2 million range for RNG production. The HZI test project described below under “Recent Developments Since the Financial Year Ended September 30, 2020” will be designed in anticipation of producing green hydrogen, and the cost of the requisite equipment is accounted for in the overall project costing. Green hydrogen is a precursor to RNG in CHAR’s production process, so the production of green hydrogen involves less additional equipment and lower additional expenditures.

Industrial Water Treatment

CharTech Solutions also designs and integrates turnkey, advanced clean water technologies to deliver cost-effective solutions that address the water pollution challenges of our clients. CharTech Solutions’ Industrial Water Treatment team specializes in three types of treatment systems, being (1) for high BOD (biological oxygen demand) applications, a common challenge for food & beverage processors, (2) organics processors, and (3) RNG from biogas operations.

CharTech Solutions’ Hydrokleen closed loop wastewater treatment system combines membrane filtration with biological treatment to effectively convert effluent into potable quality water for reuse on-site. This turnkey technology package offers a small footprint, high energy efficiency, reduced GHG emissions, and automated operations with minimal maintenance to improve production processes. The system also transforms high pollutant wastewater to high quality water for reuse, delivering an integrated, closed loop wastewater technology package that reduces the costs of both water consumption and wastewater treatment on-site.

CharTech Solutions’ high-performance moving bed biofilm reactor (MBBR) treatment technology utilizes a specialized biochip material within the aeration tank, which creates a robust system with a compact footprint that produces only a minimal amount of sludge compared to conventional treatment methods. The system can handle large loads of wastewater, while consistently achieving high levels of contaminant reduction at reduced cost.

The Company’s advanced reverse osmosis (RO) clean water systems deliver efficient and economical RO solutions to convert wastewater, raw water or treated effluent into potable quality water for reuse on-site. This is often applied in industries including food & beverage processing, oil and gas production, mining, and other industrial sectors. Our advanced semi-permeable membranes work like a filter, effectively treating salt and contaminants to produce clean water. The technology offers high recovery rates with low energy consumption and reduced operating costs.

CHAR's waste treatment systems use mature technologies, and current ongoing R&D efforts are dedicated to sustaining our competitive advantage and developing new market opportunities, rather than the creation of additional new processes and technologies.

Competitive Conditions

CharTech Solutions faces competition within its core HTP target markets mainly from other manufacturers of pyrolysis equipment. This market has not been subject to considerable consolidation, unlike other industrial or renewable industries. As a result, most competitors of CharTech Solutions are small to medium companies working in small segments of the pyrolysis business. The most widely deployed technology has been low temperature pyrolysis, which is a process that produces biocarbon but does not produce a clean syngas suitable for conversion to higher-value gas products such as green hydrogen and RNG. CharTech Solutions believes it is the clear leader in HTP in the North American market, with the ability to convert feedstocks into syngas, for further refinement into green hydrogen or RNG, while at the same time producing biocarbon products. CharTech Solutions also faces competition from gasification companies, but due to the nature of a gasifier, which necessitates the injection of air (pyrolysis is completely air free), the produced gas quality is often too low to convert into RNG or green hydrogen adequately or economically.

The Company faces a different competitive landscape for its water treatment systems. That market features many large and medium-sized competitors. Most of these competitors sell their own proprietary packaged systems. CharTech Solutions distinguishes itself from the competition by offering the ability to integrate different components in the optimal configuration to address the customer's situation.

System Delivery and Servicing

CharTech Solutions delivers turnkey waste treatment systems, in both HTP and industrial wastewater treatment. CharTech Solutions manages the entire system project life cycle, from design and procurement, through to on-site installation, commissioning, and aftercare.

CharTech Solutions uses a capital light production model with fully outsourced manufacturing that is modular in nature. CharTech Solutions outsources the manufacturing process to trusted fabricators that follow CharTech Solutions' quality standard protocol while its in-house engineers monitor the production process. Once production is complete, CharTech Solutions oversees the installation process on site at each customer location, performs final commissioning and provides operator training to familiarize the customer's staff with the new equipment. Post installation, CharTech Solutions provides maintenance, support and aftercare service, including 24/7 technical support and remote monitoring as well as maintenance and spare parts.

For HTP systems, CharTech Solutions utilizes proprietary IP, combined with standard unit operations, to complete the detailed process engineering, sourcing of manufacturing of the required equipment, oversight of the overall project management, coordination of the delivery of the equipment to the site, and commissioning of the facility. The kiln units are preferentially sourced, however, if the designated supplier is unable to fulfill the contract CharTech Solutions can have the fabrication of the system subcontracted to alternate manufacturers as required complying with CharTech Solutions' specifications. Each additional process step/unit operation can be sourced from a variety of different vendors, with the ultimate vendor selection made based on pricing, operational experience, operational complexity, and anticipated reliability.

For industrial water treatment, CharTech Solutions is a solutions-focused process engineering and design firm, and as such each installation and solution are customized for the end application. CharTech Solutions has preferred vendors for standard components and unit operations, with final assembly taking place in Canada. CharTech Solutions develops the process engineering and required unit operations, sources the manufacturing of the required equipment, oversees the overall project management and coordinates the delivery of the equipment to the client site, and undertakes the commissioning of the turnkey system. Once commissioned, CharTech Solutions offers a variety of service models, including “WasteWater-as-a-Service”, where CharTech Solutions continues to manage the equipment on behalf of the client.

For all systems production, there are no exceedingly rare or difficult to source materials. Panel boards and controls are designed with standard componentry. The catalysts used in the RNG process are nickel based, with no exotic or rare earth metals.

Revenue

Set out below for CharTech Solutions is the revenue for each of the two most recent financial years for each category of products or services that accounted for more than 15% of the Company’s total consolidated revenue for the applicable year (all of which was derived from sales to arm’s length customers).

	Year Ended September 30, 2020	Year Ended September 30, 2019
Technology	\$655,544	417,443
Product Sales	\$0	\$0
Engineering Services	\$0	\$0
Total	\$655,544	\$417,443

Biocarbon Products - CHAR Biocarbon

Overview

Every HTP system, regardless of the type of clean gas produced, will also produce solid biocarbon. CHAR has experience in biocarbon product development and knowledge of biocarbon markets. It intends to use this expertise to maximize profits from biocarbons produced at its BOO plants, and to earn revenue acting as a broker of biocarbons on behalf of purchasers of its HTP systems. In both cases, CHAR will sell into the wholesale market, either directly to large consumers, or to manufacturers who will further blend the biocarbon with their other raw materials to produce a finished product they then sell to an end user.

Uses of Biocarbon

There are three primary uses for the biocarbon produced by CHAR’s HTP systems:

- o Soil amendment and fertilizer – the biocarbon has beneficial attributes when blended with compost and has nutrient value. Depending on the source material, these biocarbons are also a potential avenue to sell carbon credits, as described in further detail below.
- o Activated charcoal, used for industrial water or gas filtration – and depending on the feedstock may also have carbon credit opportunities.
- o Carbon neutral coal replacement for heavy industry. Examples include the steel industry, metal smelting, cement, and lime kilns.

Biocarbon Product Suite

Using advanced pyrolysis technology and other innovative processes, CHAR Biocarbon has developed, and continues to develop, a suite of advanced biocarbons. The Company has already introduced two such products to the marketplace, CleanFyre and SulfaCHAR.

CleanFyre, which is a form of biocoal, allows large industrial users to switch from heavy greenhouse gas (“GHG”) emission fossil coal to GHG-neutral biocoal. Not only does the switch have environmental benefits, but also has the ability to save users significantly in reducing GHG-emission related costs. Standard coal, when burned, produces around 3 tonnes of GHG carbon dioxide emissions. With pricing expected to reach \$170/tonne of GHG CO₂ in Canada in the near future, each tonne of fossil coal burned has an associated \$510 of GHG CO₂ cost. Biocoal, being made from woody biomass and wood waste, is considered biogenic, and does not generate significant GHG CO₂. In addition, through various collaborations with industrial partners and advanced technology centres, CleanFyre will be a “drop-in” coal replacement, requiring minimal capital investment by the industrial users to switch.

SulfaCHAR is an activated biochar designed and developed to capture noxious hydrogen sulfide (H₂S). SulfaCHAR can be integrated into a first-generation biogas or RNG anaerobic digester. A by-product of the anaerobic digestion (“AD”) process is a solid material called anaerobic digestate, which is similar to compost. It is primarily generated as a result of the processing of solids that emanate from wastewater treatment facilities. Using CHAR’s HTP process, the anaerobic digestate is processed creating additional renewable gases for the facility, as well as an advanced activated charcoal (conceptually similar to a Brita filter) called SulfaCHAR. The SulfaCHAR is then used to capture H₂S from the AD system, which is a required treatment. In addition, when anaerobic digestate is processed via HTP, it reduces the carbon intensity (CI) score of the overall AD facility. In some jurisdictions, CI score is a critical factor in the sale price of their RNG, the lower the CI score, the higher the sale price of the gas.

Carbon Credits

Carbon credits can be generated through the sequestration of fixed carbon into soils or products via biocarbon. The HTP process converts the carbon present in the biomass into a fixed form which allows for permanent sequestration. Carbon credits from the biocarbon output of biomass pyrolysis are traded on various platforms including puro.earth, carbonfuture.earth and others. CHAR Biocarbon intends to seek opportunities to generate and monetize carbon credits, both on its own account for BOO projects, and on behalf of owners of its HTP systems.

Revenue

Set out below for CHAR Biocarbon is the revenue for each of the two most recent financial years for each category of products or services that accounted for more than 15% of the Company’s total consolidated revenue for the applicable year (all of which was derived from sales to arm’s length customers).

	Year Ended September 30, 2020	Year Ended September 30, 2019
Technology	\$0	\$0
Product Sales	\$133,327	\$118,092
Engineering Services	\$0	\$0
Total	\$133,327	\$118,092

Engineering Services - Altech Environmental Consulting

Overview

CHAR's engineering services revenue is delivered through its subsidiary, Altech. Since 1986, Altech has partnered with its large, loyal, industrial customer base to expertly identify and implement environmental solutions that help clients measurably meet their Environmental, Social and Governance (ESG) targets and improve compliance, while reducing risks. Altech's engineers and scientists combine long-term relationships with a flexible approach and deep regulatory knowledge, to help clients meet their goals of optimizing profits while protecting and preserving the environment.

Altech's services are offered and provided to a wide range of manufacturing sectors across Ontario and elsewhere in Canada, including to the food & beverage, steel processing, natural resources, automotive & aerospace, and electronics sectors. Altech's service deliverables include comprehensive engineering and audit reports, and regulatory permits.

Altech offers Property Due Diligence and Remediation, and Compliance and Permitting services, as further described below.

Services

Property Due Diligence and Remediation

Altech performs a broad range of cost-effective site and subsurface investigations to support property transactional due diligence and site development, and to restore financial value to clients' properties. With geotechnical, geoscientific, and professional engineering expertise, Altech's professionals conduct comprehensive contaminant identification, delineation, and migration studies, in addition to full remediation, geotechnical, and decommissioning projects.

Compliance and Permitting

Altech's team applies its up-to-date regulatory knowledge to help ensure clients' workplaces remain in compliance with the latest requirements in indoor air quality, outdoor air emissions, wastewater discharge, solid and hazardous waste disposal, and spills. Altech's specialized Environmental Health & Safety Auditing delivers recommended actions in an effort to improve efficiencies and avoid potential liabilities, and to generate both short and long-term savings. Altech's energy and water use efficiency audits also aim to help improve clients' bottom lines.

As jurisdictional environmental permitting and reporting requirements become more complex, Altech's engineers and scientists provide advanced air modeling, noise assessment & mitigation, dust & odour control, carbon footprint analysis & reduction, and stormwater and wastewater permitting support for its clients, to assist in meeting compliance deadlines and shorten permitting timelines. This operating segment is critical for CHAR's implementation and approvals of HTP systems.

Service Delivery

Altech's services are provided on a professional consulting project basis, under written contract with qualified clients, priced on either a time & materials or fixed fee basis.

Altech provides specialized knowledge in environmental, engineering and science, and utilizes professional engineers and advanced degree scientists, each with an average of over 10 years of experience as at the date of this AIF.

Competitive Conditions

The national market is relatively mature and fragmented, with several large engineering services firms and many small to medium sized consultancies. Altech's services are differentiated by using senior professional staff, deep regulatory knowledge, and highly responsive customer service. Environmental consulting is somewhat seasonal in nature, with busy periods being in spring and fall.

Revenue

Set out below for Altech is the revenue for each of the two most recent financial years for each category of products or services that accounted for more than 15% of the Company's total consolidated revenue for the applicable year (all of which was derived from sales to arm's length customers).

	Year Ended September 30, 2020	Year Ended September 30, 2019
Technology	\$0	\$0
Product Sales	\$0	\$0
Engineering Services	\$971,034	\$1,087,132
Total	\$971,034	\$1,087,132

Marketing

CHAR markets and intends to sell its products and services through its internal direct sales team and channel partners, such as digester manufacturers and operators, engineering, procurement and construction companies and project developers. An important marketing and sales platform for CHAR's HTP systems is conferences and expositions (held virtually while COVID-19 public health measures remain in place), where it often presents industry insights and product information to attract existing and new customers. To date, CHAR has limited customers who have experience with the HTP systems that can provide positive references. HTP systems outputs, such as RNG, green hydrogen and biocarbon, are primarily sold on a direct business-to-business basis under medium to long-term offtake contracts. Sales of engineering services rely on a mixture of its internal direct sales team, industry leading webinars, and digital and print campaigns in relevant industry trade journals and other publications.

Potential Sales Pipeline

The Company expects the majority of its future sales revenue to be derived from the sale of HTP systems to third party customers and from the sale of green hydrogen/RNG and biocarbon produced by Company-owned HTP systems. The Company maintains a list of sales prospects for its HTP systems (the "**Potential Sales Pipeline**") that is used to track and quantify potential future HTP system sales. An amount is initially added to the Potential Sales Pipeline when a third party requests pricing details from the Company, and is adjusted from time to time to reflect the Company's view of the likelihood of completing a sale to that party, based in part on the stage in the sales cycle for that prospect. The Potential Sales Pipeline only includes sales of HTP systems to third parties, and does not account for potential revenue from the sale of green hydrogen/RNG and biocarbon products from HTP systems owned by the Company. As at the date of this AIF, the Company's Potential Sales Pipeline is in excess of \$100 million.

There is no guarantee that all or any of the sales prospects in the Company's Potential Sales Pipeline will result in orders for HTP systems. Potential customers may choose not to proceed with a project, may

choose to proceed with a different technological solution for their application, or may choose a competing supplier of high temperature pyrolysis systems. Nevertheless, over time, the Company believes that its Potential Sales Pipeline methodology will deliver reasonable measures of the number and dollar value of possible sales opportunities available to the Company.

The Company's Potential Sales Pipeline estimates should be viewed with reference to the risk factors described below under "Risk Factors".

Specialized Skills & Knowledge/Research & Development

Various aspects of the business of the Company require specialized skills and knowledge in the areas of engineering, continual R&D, and environmental and corporate social responsibility. The Company has a strong team of employees with extensive experience in these specialized areas to support the conduct of its business.

CHAR has developed, and has access to, internal IP, trade secrets and patents on our products and equipment. Through the continuous improvement of its staff, CHAR continues to develop employees to be experts in the field. As the company grows, generally engineering professionals would have the required skills and knowledge to ensure business growth and continuity.

Employees

As of September 30, 2020, CHAR and its wholly owned subsidiaries had 15 employees in the aggregate, all of whom were in Canada. As of the date of this AIF, CHAR and its wholly owned subsidiaries have 25 employees in the aggregate, all of whom are in Canada except for 1 employee in the USA and 1 full time consultant in the U.K.

Intangible Property

The identifiable intangible assets that have been developed over time are a critical part of the business operations and have positioned CHAR to be a leader in the biogas upgrading industry. These intangible assets include HTP product designs, biocarbon production parameters, HTP kiln modelling for optimizing gas outputs, operations know-how, licences, patents, and trademarks. The assets in relation to the specific product designs do not have a specific duration, however the Company undertakes a continuous cycle of review and improvement for existing technologies and has a proven track record with the introduction of new products to meet the needs of the market and enhance the value of the business.

The Company has a portfolio of patents and trade secrets. CHAR's strategy is to use its intellectual property and experience to capitalize on markets with non-complex waste feedstocks to optimize offtake products depending on the market potential.

The Company's HTP systems are designed to produce optimal quantities of green hydrogen or RNG along with a biocarbon solid. The CHAR solution is complementary to many AD plants and existing waste systems. CHAR can produce various offtake qualities and proportions based on proprietary know how with respect to recipes, conditions, and process times.

CHAR believes that its technology is continuously improving as a result of experience and IP enhancement. To maintain its competitive advantage, the Company holds several patents in respect of its technology and trademarks. CHAR has registered patents in Brazil, India, Canada, Spain, Italy, the United Kingdom, Germany, France and the United States. In addition, CHAR has trademarks that related to current logos

and names of CHAR, CHAR subsidiaries (CharTech Solutions, CHAR Biocarbon, Altech) as well as products (CleanFyre, SulfaCHAR, etc).

Foreign Operations

The Company is not dependent on any foreign operations.

CHAR is headquartered in the Toronto, Ontario, Canada, with a production plant in London Ontario, Canada. The Company also has an office in Pittsburgh, P.A., and additional sales and service personnel, and technical contractors, in the United States, Australia, Singapore and India. The Company has sales denominated in the currencies of the various countries in which it operates but incurs the majority of its operating expenses in Canadian dollars. As such, while CHAR is not dependent on foreign operations, its operations may nonetheless be exposed to various levels of foreign political, regulatory, economic, and other risks and uncertainties. See "Risk Factors".

Environmental Protection

The Company's operations are subject to environmental protection laws and regulations. The Company has incurred, and will continue to incur, operating costs and capital expenditures to comply with environmental laws and regulations, which are not expected to have material financial or operational effects on the Company or its competitive position. The Company has no known material environmental liability associated with sites or regulatory non-compliance.

Regulatory Environment

The regulatory environment in which the Company operates is generally favourable for it in the North American jurisdictions in which it carries on, or intends to carry on, business. Demand for the Company's HTP systems and other products and services is largely driven by the current trend of increased regulation of substances harmful to the environment, including efforts to decrease carbon emissions and to set stricter standards for PFAS.

Some jurisdictions have regulatory initiatives underway or regulations in place that contribute, or are expected to contribute, to demand for RNG and green hydrogen, and the production of biocarbon. These include:

- in Canada, (i) the federal carbon pricing system, under which the cost of carbon emissions will rise from \$40/tonne in 2021 to \$170/tonne in 2030, is intended to encourage the use of lower carbon fuels, such as RNG, green hydrogen and biocoal, (ii) the federal government's commitment to making budgetary funds available to companies involved in cleantech and the announcement in December 2020 that it expects to have the Clean Fuels Standards in force by 2022, which will require a decrease in the carbon intensity of liquid fuels, (iii) the federal and provincial governments have expressed a firm desire to encourage RNG production, with British Columbia and Quebec developing and announcing targets for certain quantities of RNG in their respective natural gas grids, and (iv) the federal government, and certain provinces, including Ontario and British Columbia, have announced hydrogen strategies which are intended to encourage the use of hydrogen as a zero-emission fuel (for the most part, these strategies focus on blue and green hydrogen collectively, but blue hydrogen is generally expected to function as a transition fuel until green hydrogen is available in sufficient quantities at competitive prices); and
- in the US, (i) the Regional Greenhouse Gas Initiative (RGGI) cap-and-trade system implemented by California and eleven Northeast states, which creates financial incentives to reduce greenhouse gas

emissions, driving demand for lower carbon fuels such as RNG, green hydrogen and biocoal, (ii) the Federal Renewable Fuel Standard ("RFS"), mandating certain minimum volumes of renewable fuels to replace petroleum fuels, and (iii) the Low Carbon Fuel Standard ("LCFS") incentive programs in California and Oregon, which encourage the use of both RNG and green hydrogen.

There are regulations applicable to the development and operation of HTP system facilities in the various jurisdictions in which the Company sells and intends to sell these systems, including with respect to the siting of projects, the injection of RNG into natural gas pipeline networks, and the production and collection of green hydrogen. Various permits are required under these regulations, secured either by CHAR or its customers, depending on the situation. Systems supplied by the Company are required to meet certain codes such as Canadian Registration Number (CRN) in Canada and American Society of Mechanical Engineers (ASME) in the US, and products produced by those systems may be subject to various standards, such as SAE International's J2719 - Hydrogen Fuel Quality for Fuel Cell Vehicles.

Operating Cycles

Commencing in fiscal 2022, the Company's revenues are expected to be largely derived from a relatively small number of HTP system orders, as well as revenues from the sale of HTP system outputs from a relatively small number of BOO facilities. Timing of new contract awards and project completion varies due to numerous factors, such as finalizing technical specifications and securing project funding, permits, biocarbon and RNG/green hydrogen off-take agreements and feedstock agreements, as well as concurrent customer activities such as site infrastructure work. As a result, the Company's revenue may be expected to vary substantially from month to month and quarter to quarter unless and until the scale of the Company's business reaches a level sufficient to obscure fluctuations attributable to individual sales or projects.

The Altech engineering consulting business is billed either on a fixed rate project or on a variable fee basis based on time and materials needed. The business is moderately cyclical with seasonal highs generally in the Spring and Fall, but like any segment can be affected by greater economic conditions and prevailing market sentiments.

Economic dependencies

CHAR has a license agreement with its current supplier for the exclusive rights to their mechanical system IP for HTP kilns for the North American market. Although the Company is entitled under the terms of the agreement to obtain equipment from other suppliers, there are certain risks associated with its current relationship with this supplier, as described in more detail in the "Risk Factors" section below. CHAR has no other single contracts on which the business may be substantially dependent.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Notable events in the development of CHAR's business during the last three fiscal years are described below.

\$1,055,358 Private Placement

On December 27, 2017, CHAR completed a non-brokered private placement of 3,513,609 non flow-through shares at a price of \$0.21 per share for gross proceeds of \$737,858, and 1,270,000 flow-through shares at a price of \$0.25 per flow-through share for gross proceeds of \$317,500, for total gross proceeds of \$1,055,358.

Acquisition of Altech Group

On January 1, 2018, the Company acquired the Altech Group, which was comprised of Altech and Altech Technologies Systems Inc. ("ATS"). CHAR acquired all the outstanding shares in both Altech and ATS (the "**Purchased Shares**"). Altech shareholders received an aggregate of 4,523,810 in Common Shares plus \$150,000 cash in exchange for the Purchased Shares.

\$241,000 Private Placement

On December 31, 2018, CHAR closed a private placement for 1,147,619 flow-through shares at a price of \$0.21 per flow-through share for gross proceeds of approximately \$241,000. The flow-through shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers.

Recent Developments Since the Financial Year Ended September 30, 2020

The following is a summary of notable events in the development of CHAR's business since the end of its financial year ended September 30, 2020 up to the date of this AIF.

Common Share Offering

On October 16, 2020, the Company completed a non-brokered private placement (the "**Offering**") described in its news release of October 5, 2020, in connection with which it issued an aggregate of 6,950,000 common shares in the capital of the Company (each, a "**Common Share**") at a price of CDN\$0.10 per share for gross proceeds of CDN\$695,000.

Unit Offering

On February 5, 2021 the Company closed a unit offering, in connection with which it issued an aggregate of 18,461,537 units at a price of CDN\$0.325 per unit for gross proceeds of CDN\$6,000,000 (the "**2021 Offering**"), where each unit was comprised of one Common Share and one-half of one share purchase warrant (each whole warrant, a "**Warrant**"). The Company issued an aggregate of 18,461,537 Common Shares and 9,230,769 Warrants in connection with the 2021 Offering. Each Warrant entitles the holder to acquire one Common Share for two years at an exercise price of CDN\$0.40 per share.

Biocoal Order

On March 17, 2021, the Company received a purchase order from one of Canada's largest steel producers for up to 1,000 tonnes of CHAR's proprietary CleanFyre biocoal. This contract follows CHAR's previous successful pilot production run of 20 tonnes of CleanFyre.

Hitachi Zosen Inova Agreement

On July 23, 2021, the Company announced the signing of a definitive agreement with Hitachi Zosen Inova ("**HZI**"), a global cleantech company operating in energy from waste and renewables, for a test project

with HZI to develop an HTP system at their existing San Luis Obispo (“SLO”) anaerobic digestion facility in California. Under the definitive agreement, CHAR will process 18,000 tonnes per year of solid anaerobic digestate into 1,320 tonnes of green hydrogen per year, and 2,800 tonnes per year of biocarbon. The project will be delivered under a BOOT (build-own-operate-transfer) model, where CHAR will be the initial project owner, with HZI managing system operations. While CHAR owns the assets, CHAR receives revenues directly for the project outputs (green hydrogen and biocarbon). Upon executing the transfer, at their option, HZI’s subsidiary will purchase the project for a one-time payment. Ongoing project output revenues are dispersed based on a predefined agreement.

Technology Licensing Agreement

On September 10, 2021, CHAR announced the signing of an exclusive technology licensing agreement with CHAR’s principal kiln technology supplier, which provides for continued collaboration on technology development opportunities globally and provides CHAR with exclusive technology rights in the North American market. Under this agreement, CHAR has the rights to all the equipment intellectual property, including patents and designs, which will allow the Company to lead the engineering, procurement and manufacturing of entire HTP systems more efficiently.

RISK FACTORS

One should carefully consider the risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF, and all other information contained in this AIF, including the consolidated financial statements and accompanying notes.

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. The risks and uncertainties described or incorporated by reference herein are not the only ones the Company faces and should not be considered exhaustive. In addition to the risks identified herein, additional risks not presently known to the Company may arise from time to time and may cause a material adverse effect on the Company and any investment in the Company. Investors are cautioned not to rely upon any forward-looking statements in this AIF as such statements are subject to known and unknown risks. The following risk factors should be given special consideration when evaluating an investment in the Company’s securities. The Company cannot provide assurance that it will successfully address any or all of these risks. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of the adverse effects set out in the risk factors herein, or in the other documents incorporated or deemed incorporated by reference herein or other unforeseen risks.

These below risk factors, together with all other information included or incorporated by reference in this AIF, including, without limitation, the risks set out under the section “Cautionary Note Regarding Forward Looking Statements” should be carefully reviewed and considered.

Risks Related to the Company’s Securities

Forward-Looking Information

The forward-looking information included in this AIF relating to, among other things, the Company’s future results, performance, achievements, prospects, targets, intentions or opportunities or the markets in which it operates is based on opinions, assumptions and estimates made by the Company’s

management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. The Company's actual results in the future may vary significantly from the historical and estimated results and those variations may be material. The Company makes no representation that its actual results in the future will be the same, in whole or in part, as those included in this AIF. See "Cautionary Note Regarding Forward Looking Statements".

Volatile Market Price for the Common Shares

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in our quarterly results of operations;
- changes in the Company's estimates of our future results of operations;
- changes in forecasts, estimates or recommendations of securities research analysts regarding the Company's future results of operations or financial performance;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- additions or departures of the Company's senior management team or other key employees;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets.

Financial markets have in the past experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies.

Accordingly, the market price of the Common Shares may decline even if the Company's operating results, financial condition or prospects have not changed. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's business, financial condition and results of operations could be materially adversely impacted and the trading price of the Common Shares could be materially adversely affected.

No Immediate Plan to Declare Dividends

The Company has never paid dividends or made distributions on its Common Shares through to the date of this AIF. The Company has no present intention of paying dividends in the near future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Company (the "**Board**") and will depend on, among other things, the Company's financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. In addition, the Company's ability to pay dividends may be limited by covenants of any existing and future outstanding

indebtedness we incur. As a result, investors may not receive any return on an investment in their Common Shares unless they sell them for a price greater than that which they paid for it.

The Market Price of the Common Shares May be Subject to Wide Price Fluctuations

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

Sales of Substantial Amounts of the Common Shares

Sales of substantial amounts of the Common Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Common Shares. A decline in the market prices of the Common Shares could impair the Corporation's ability to raise additional capital through the sale of securities should it desire to do so.

Future Sales of Common Shares by Principal Shareholders, Officers and Directors

Subject to compliance with applicable securities laws and the terms of the Company's trading policies, the Company's officers, directors, principal shareholders and their affiliates may sell some or all of the Common Shares held by such party in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by the Company's officers, directors, and any principal shareholders and their affiliates, or the perception that such sales could occur, could materially adversely affect prevailing market prices for the Common Shares. Accordingly, if the any such persons sell substantial amounts of the Company's securities in the public market, the market price of the Company's securities could fall.

Risks Related to the Corporation's Business and Industry

Resource Constraints and Growth Pressures

CHAR began carrying on its business in February 2011 and is therefore subject to many of the risks common to early or growth-stage enterprises, including capacity constraints, pressure on internal systems and controls, and an inability to attract personnel with sufficient experience and expertise. The planned expansion of CHAR's business may place a significant strain on its financial, operational, and managerial resources. The success of CHAR is dependent upon the ability, expertise, judgment, discretion, and good faith of a small number of senior executives with a relatively short collective experience with the Company. There can be no assurances that CHAR will be able to manage these constraints and growth pressures successfully.

Disruptions and Delays Due to Permitting Requirements and a Variety of Other Reasons

Manufacturing, delivery, installation and operation of the Company's systems could be delayed or disrupted due to permitting requirements as well as a variety of other reasons, including labour slowdowns, technological malfunctions, defective materials, supply chain or logistics delays, and workplace safety matters. These disruptions and delays may result in lost or delayed revenues, increased costs, and other adverse effects on the business and prospects of the Company.

Revenues Are Expected To Be Largely Derived from a Relatively Small Number of Orders and Projects

In the near term, unless and until the Company's operations reach a sufficient scale (the occurrence and timing of which cannot be assured), the Company expects its revenues to be largely derived from a relatively small number of large HTP systems orders and BOO HTP systems projects. Delays, failures and other negative events affecting one or more of these orders or projects could have a material adverse effect on the Company's business, financial condition, and results of operations.

Timing of Revenue May Cause Fluctuations in Financial Results

The Company's operating results and cash flow could fluctuate substantially from one financial period to the next as a result of the timing of recognition of revenues from systems sales and the commencement of commercial operation of Company-owned projects.

Attraction and Retention of Key Personnel

The Company has a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on the business of the Company. The Company may also encounter difficulties in obtaining and maintaining suitably qualified staff. No assurance can be given that individuals with the required skills will continue employment with the Company or that replacement personnel with comparable skills can be found. The Company is dependent on the services of key executives, including the Board and a small number of highly skilled and experienced executives and personnel. The loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

Potential For Intense Competition From Other Companies

There is potential that CHAR will face intense competition from other companies, some of which can be expected to have longer operating histories, more financial resources and experienced personnel, and a greater degree of operating, project development, and sales and marketing experience than CHAR, which may give them a competitive advantage over the Company. As well as competition from other providers of biomass-to-energy systems, the Company may encounter competition from other purchasers of organic feedstock and from other producers of green hydrogen, RNG, and biocarbon products.

Foreign Subsidiary and Operations

The Company conducts some of its operations through its United States subsidiary and otherwise in other foreign jurisdictions. While the Company is headquartered in Toronto, Ontario, Canada, it also has an office in Pittsburgh, P.A., and additional sales and service personnel, and technical contractors, in the United States, Australia, Singapore and India. The Company has sales denominated in the currencies of the various countries in which it operates but incurs the majority of its operating expenses in Canadian dollars. Therefore, to the extent of these interests and operations, the Company (directly and indirectly) is dependent on the cash flows of foreign operations to meet its obligations. The success of the Company's operations outside of Canada may be constrained by the following factors: the level of taxation, particularly corporate profits and withholding taxes; and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated. As such, while the Company is not dependent on foreign operations, its operations may nonetheless be exposed to various levels of foreign political, regulatory, economic, and other risks and uncertainties.

Achievement of Future Financing and Revenue Requirements Is Not Assured

CHAR will require additional equity and/or debt financing to sustain and expand its operations. It is possible that required future financing will not be available, or if available, will not be available on

favourable terms. The success of CHAR ultimately depends upon its ability to generate significant revenues to finance profitable operations. CHAR has not earned profits to date and there is no assurance that CHAR will earn profits in the future, or that profitability, if achieved, will be sustained.

Dependency on Markets for Organic Feedstock, RNG, Green Hydrogen and Biocarbon Products

The development of the Company's business depends in part on pricing and other market conditions for the inputs and outputs of the HTP process, including the availability of suitable organic feedstock, and the demand for RNG, green hydrogen and biocarbon products. These matters could be influenced by a variety of factors that may not be anticipated and may be outside the Company's control, including changes in government policy and regulation, and events and developments in business sectors that produce feedstock for, or consume outputs of, CHAR's HTP systems.

Sole Sourcing of Core HTP System Equipment

CHAR currently procures the core equipment for its HTP systems from a single manufacturer, and consequently is dependent on their ability to supply this equipment in accordance with the Company's requirements as to matters such as price, quantity, schedule and technical specifications unless it transitions all or part of its equipment procurement to one or more of the other available suppliers. Unanticipated events could cause the costs and delays of supplier transition to be greater than expected, which could have a material adverse effect on the Company's business and prospects. Although the Company plans to mitigate some of this risk over the next twelve months by developing the necessary internal expertise and capacity to perform certain functions presently carried out on its behalf by the current supplier, those plans may be delayed, unsuccessful or ineffective.

HTP System Performance Failures

Although the Company has extensively validated its HTP process, including through review by independent experts, it is possible that HTP systems equipment could fail to meet the specified requirements of this process due to technology failures or other causes. Such failures could expose the Company to warranty claims or other liability to its customers, have a negative impact on sales of the Company's systems and other products, and adversely affect the economic viability of HTP system projects owned by the Company.

Insurance Coverage May Be Inadequate or Unavailable

Although CHAR has insurance to protect its assets, operations, and employees, which CHAR believes addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions that could expose CHAR to significant loss, and may not be available for the risks and hazards to which CHAR is exposed, particularly given the Company's use of technology that is considered novel in the North American market.

Loss of Certain Intellectual Property

CHAR's business, particularly in relation to HTP systems, is highly dependent on certain third-party intellectual property licenced by the Company, as well as Company-owned intellectual property. Although CHAR takes reasonable steps to protect and maintain the necessary rights to this intellectual property, unknown facts or unanticipated events could result in a loss or impairment of those rights that could seriously harm its business and prospects.

Financial Instruments and Risk Management

Readers should also refer to the discussion under the heading “Financial Instruments and Risk Management” in our 2020 Annual Report, which is incorporated by reference in this AIF and is available on the Company’s website and at www.sedar.com.

Discretion in the Use of Available Funds

Management has broad discretion concerning the use of the Company’s available funds as well as the timing of expenditures. As a result, shareholders and investors will be relying on the judgment of management for the application of the available funds of the Company. Management may use the available funds in ways that an investor may not consider desirable. The results and the effectiveness of the application of the available funds are uncertain. If the available funds are not applied effectively, the Company’s results of operations may suffer.

Additional Capital

The development and the business of the Company may require additional financing, which may involve high transaction costs, dilution to shareholders, high interest rates or unfavorable terms and conditions. Failure to obtain sufficient financing may result in the delay or indefinite postponement of its business plans. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

Potential Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Company may be subject in connection with the operations of the Company and situations may arise where the directors and officers may be in direct competition with the Company. Conflicts of interest, if any, which arise may be subject to and be governed by procedures prescribed by the *Business Corporations Act* (“**OBCA**”) which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the OBCA. Any decision made by any of such directors and officers involving the Company should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

Impacts of COVID-19 to the Company’s Business

In December 2019, COVID-19 emerged in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company’s business, operations and financial results. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company’s business, operations or financial results; however the impact could be material.

DIVIDENDS AND DISTRIBUTIONS

The Company has never paid dividends or made distributions on its Common Shares through to the date of this AIF. The Company has no present intention of paying dividends in the near future. It will pay dividends when, as and if declared by the Board. The Company expects to pay dividends only out of retained earnings in the event that it does not require its retained earnings for operations or in the execution of its business plan. There are no restrictions in the Company's articles of incorporation that prevent it from declaring dividends. The Company has no shares with preferential dividend and distribution rights authorized or outstanding.

DESCRIPTION OF CAPITAL STRUCTURE

Authorized Capital

The authorized capital of the Company consists of an unlimited number of Common Shares. As of September 30, 2020, there were 45,137,314 Common Shares issued and outstanding and there were 3,898,125 Common Shares issuable on the exercise of Stock Options, 0 Common Shares issuable on the exercise of Warrants, 0 Common Shares issuable on the exercise of Broker Warrants, 0 Common Shares issuable on the vesting of Restricted Share Units, and 0 Common Shares issuable on the vesting of Share Appreciation Rights. As of the date of this AIF, there are 71,531,751 Common Shares issued and outstanding. In addition, as of the date of this AIF, there are 4,747,125 Common Shares issuable on the exercise of Stock Options, 9,027,869 Common Shares issuable on the exercise of Warrants, 914,967 Common Shares issuable on the exercise of Broker Warrants, 1,039,559 Common Shares issuable on the vesting of Restricted Share Units, and 480,000 Common Shares issuable on the vesting of Share Appreciation Rights.

Holders of Common Shares are entitled to receive notice of, attend and vote at, all meetings of the shareholders of the Company (except with respect to matters requiring the vote of a specified class or series voting separately as a class or series) and are entitled to one vote for each Common Share held on all matters to be voted on by shareholders at meetings of the shareholders of the Company. Holders of Common Shares are entitled to receive such dividends, if, as and when declared by the Board, in their sole discretion. All dividends which the Board may declare shall be declared and paid in equal amounts per Common Share on all Common Shares at the time outstanding. On liquidation, dissolution or winding up of the Company, the holders of Common Shares will be entitled to receive the property of the Company remaining after payment of all outstanding debts on a pro rata basis, but subject to the rights, privileges, restrictions and conditions of any other class of shares issued by the Company. There are no pre-emptive, redemption or conversion rights attached to the Common Shares. All Common Shares, when issued, are and will be issued as fully paid and non-assessable Common Shares without liability for further calls or assessment.

Capital Structure and Management

The Company includes equity 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 to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support its 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.

The Company has never paid any dividends and does not intend to pay any dividends in the foreseeable future. The Company does not have any short or long-term bank debt and does not have a profitable history to support the servicing of bank debt obligations. The Company intends to pursue future credit lines and project financing as more projects reach the commercialization stage and the Company establishes a track record. There is no assurance that the Company will obtain any credit facilities.

TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSXV under the symbol “YES”.

The following table sets forth the reported trading prices and monthly trading volumes of the Common Shares for the Company’s financial year ended September 30, 2020 as well as the periods up to October 25, 2021:

Month	High (\$)	Low (\$)	Total Volume
October 2019	0.15	0.08	68,180
November 2019	0.18	0.1	52,500
December 2019	0.15	0.115	170,560
January 2020	0.16	0.115	96,960
February 2020	0.14	0.085	93,000
March 2020	0.115	0.05	104,166
April 2020	0.1	0.075	198,321
May 2020	0.11	0.09	47,200
June 2020	0.12	0.08	75,300
July 2020	0.12	0.1	31,414
August 2020	0.13	0.08	165,550
September 2020	0.12	0.1	33,560
October 2020	0.22	0.095	232,450
November 2020	0.3	0.15	535,847
December 2020	0.395	0.24	3,040,544
January 2021	0.64	0.3	1,926,170
February 2021	0.79	0.5	1,382,328
March 2021	0.89	0.46	3,117,848
April 2021	0.78	0.56	1,015,734
May 2021	0.62	0.51	881,602
June 2021	0.66	0.51	475,906
July 2021	0.75	0.43	1,942,990
August 2021	0.91	0.66	1,719,446
September 2021	0.85	0.69	842,048
October 1-25 2021	0.80	0.75	138,442

Source: TSX Venture Exchange

The price of the Common Shares as quoted by the TSXV at the close of business on September 30, 2020, being the last trading day of the year ended September 30, 2020, was \$0.11, and at the close of business on the date of this AIF was \$0.80.

PRIOR SALES

The following table summarizes the securities of the Company that are not listed or quoted for trading on a market place that have been issued during the financial year ended September 30, 2020 as well as the periods up to the date of this AIF.

Date	Type of Security	Issue/Exercise Price (\$)	Number of Securities
January 2020	Stock Options	\$0.115	930,000
February 2020	Stock Options	\$0.15	100,000
April 2020	Stock Options	\$0.075	160,000
July 2020	Stock Options	\$0.105	50,000
January 2021	Stock Options	\$0.49	1,333,000
February 2021	Warrants(1)	\$0.40	9,230,769
February 2021	Broker Warrants(1)	\$0.325	914,967
March 2021	Stock Options	\$0.72	150,000
April 2021	Stock Options	\$0.72	95,000
July 2021	Stock Options	\$0.52	75,000

Notes:

(1) Issued pursuant to the 2021 Offering

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the Company's knowledge, there exist no securities in escrow or that are subject to a contractual restriction on transfer as of the date of this AIF.

DIRECTORS AND OFFICERS

The following table sets forth the name, province and country of residence, position held with the Company, principal occupation during the preceding five (5) years, and the date on which they were first appointed as a director or officer of the Company (if applicable). As of the date of this AIF, the Corporation's Board consists of William White, Eric Beutel, James Sbrolla, Benj Gallander, Jane Pagel, Nik Nanos, Paul Pellegrini and Hugh Cleland. The Company's directors will be elected annually and they are expected to hold office until the next annual meeting of shareholders, at which time they may be re-elected or replaced.

Name and Province/State of Residence	Position Held	Date of Appointment as Director or Officer, as applicable	Principal Occupations During Previous Five Years
William White ⁽¹⁾ Florida	Director, Chairman	October 2013	Partner, CBW Associates (business consultants)
Eric Beutel ⁽¹⁾ Ontario	Director	March 2014	Vice President, Oakwest Corporation Limited (investment holding company)
James Sbrolla Ontario	Director	October 2013	Self-employed, Environmental Business Consultants
Benj Gallander Ontario	Director	July 2020	Independent Businessperson

Jane Pagel Ontario	Director	March 2021	Independent Director
Nik Nanos ⁽¹⁾ Ontario	Director	March 2021	Chief Data Scientist and Founder of Nanos Research
Paul Pellegrini Ontario	Director	March 2021	Executive Chairman Sussex Strategy Group
Hugh Cleland Ontario	Director	October 2021	Co-founder and principal at Roadmap Capital and Venture Capital Investor
Andrew White Ontario	Chief Executive Officer	March 2016	Chief Executive Officer of the Company
Mark Korol Ontario	Chief Financial Officer	April 2020	Chief Financial Officer of the Company
Brian Bobbie Ontario	COO	February 2019	Chief Operating Officer of the Company and President of Altech Environmental Consulting Ltd.
Kenneth Goodboy Pennsylvania	VP Pyrolysis Research & Development	April 2021	VP Pyrolysis Research & Development of the Company and President of Triple Point Separations Technologies, LLC

(1) Audit Committee member.

As of the date of this AIF, the Company's directors and executive officers, as a group, beneficially own, directly or indirectly, or exercised control of direction over 13,394,452 Common Shares, representing approximately 18.725% of the issued and outstanding Common Shares before giving effect to the exercise of stock options and warrants, and the settlement of restricted share units and stock appreciation rights held by such directors and executive officers (15,901,552 Common Shares representing approximately 19.158% of the outstanding the Common Shares, after giving effect to the exercise of all stock options and warrants outstanding, but without giving effect to the settlement of restricted share units and stock appreciation rights). The statements as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company as a group are based upon information furnished by the directors and executive officers.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Company is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

(a) was subject to an order that was issued while the Director or Executive Officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an order that was issued after the Director or Executive Officer ceased to be a Director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as Director, Chief Executive Officer or Chief Financial Officer.

No director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal

under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the OBCA dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the OBCA. In accordance with the laws of the Province of Ontario, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Case	Year of Claim	Court	Description	Claim amount	Disposition
Altech ats Metalli Group	2020	Ontario Superior Court of Justice	Subsurface Investigation omission claim	\$1M	In abeyance, 2021
Altech ats Gibsons	2016	Ontario	Subsurface	Indeterminate	Tolled, 2020

Dry Cleaners		Superior Court of Justice	Investigation omission claim		
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The Company does not believe there is any material exposure in any of these claims over and above insurance limits

Regulatory Actions

During the most recently completed financial year and during the current financial year, the Company is not and has not been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor, or entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described in this AIF, none of the directors, executive officers or shareholders, owning or exercising control or direction over more 10% of the Common Shares, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected us or is reasonably expected to materially affect the Company.

TRANSACTIONS WITH RELATED PARTIES

Related parties include the Board, 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:

Transactions with Related Parties Breakdown

	Year ended September 30, 2020 (\$)	Year ended September 30, 2019 (\$)
Marrelli Support Services Inc. ("MSSI") ⁽¹⁾	14,100	24,000
DSA Corporate Services ("DSA") ⁽²⁾	9,102	9,576
1456087 Ontario Inc. ("1456087") ⁽³⁾	60,000	60,000
Mark Korol, CFO ⁽⁴⁾	39,000	Nil
Numbers & Co. ⁽⁵⁾	32,750	52,500

(1) The former Chief Financial Officer of the Company is a senior employee of MSSI. As at September 30, 2020, MSSI was owed \$nil (September 30, 2019-\$nil).

(2) DSA is affiliated with Marrelli Support through a common officer. DSA provides corporate secretarial services. As at September 30, 2020, DSA was owed \$nil (September 30, 2019 - \$849). These amounts are included in accounts payable and accrued liabilities.

(3) 1456087 is a company controlled by James Sbrolla, a director of the Company. 1456087 provides consulting services to the Company.

(4) Mark Korol was appointed Chief Financial Officer on April 1, 2020. The amounts shown above represent consulting fees paid to Mark Korol for his services as Chief Financial Officer.

(5) Numbers & Co. is a company controlled by the former Chief Administration Officer of the Company. Numbers & Co. provides consulting services to the Company. As at September 30, 2020, Numbers & Co. was owed \$nil. (September 30, 2019-\$5,650).

Interest of Management and Others in Material Transactions

The Company has made loans to certain officers and employees of the Company, totalling \$152,352.50 in the aggregate, of which \$149,543.50 remains outstanding as at the date hereof. The loans are repayable on demand and accrue interest at the Bank of Canada's prime rate.

TRANSFER AGENTS AND REGISTRARS

TSX Trust Company, at its Toronto office located at 300 - 100 Adelaide St. West Toronto, ON M5H 1S3, is the transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, as of the date of this AIF, the only material contract which the Company entered into within the most recently completed financial year, subsequent to the most recently completed financial year to the date of this AIF, or prior to the most recently completed financial year but which is still in effect, is the warrant indenture dated May 30, 2019 between the Company and Computershare Trust Company of Canada providing for the issue of the Warrants.

INTERESTS OF EXPERTS

The Company's auditors are DMCL, Chartered Professional Accountants ("DCML"), who prepared the auditor's report included with the Company's annual consolidated financial statements for the year ended September 30, 2020. DMCL has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Company's Audit Committee has a charter (the "**Audit Committee Charter**"), the text of which is set out in a copy of the Audit Committee Charter attached hereto as Schedule "A" to this AIF.

Composition of the Audit Committee

The Company's Audit Committee members are William White, Eric Beutel and Nik Nanos. All Audit Committee members are considered to be "independent" and "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110").

An Audit Committee member is independent if the member has no direct or indirect material relationship with the Company that could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

An Audit Committee member is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Each member of the Company's Audit Committee has the education or experience that provides such member with: (i) an understanding of the accounting principles used by the Company to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in

connection with the accounting for estimates, accruals and reserves; (iii) experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting.

For additional details regarding the relevant education and experience of each member of the Audit Committee, see also "Directors and Officers".

Audit Committee Oversight

At no time since the commencement of the Company's financial year ended September 30, 2020, has the Audit Committee made any recommendations to the Board to nominate or compensate any external auditor that was not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee Charter.

External Auditor Services Fees

Audit Committee has reviewed the nature and amount of the non-audit services provided by DMCL to the Company to ensure auditor independence. Fees incurred with DMCL for the period ended September 30, 2020, and period ended September 30, 2019 for audit and non-audit services are outlined in the following table:

Nature of Service	Financial Year Ended September 30, 2020	Financial Year Ended September 30, 2019
Audit Fees ⁽¹⁾	\$55,000	\$50,000
Audit-Related Fees ⁽²⁾	\$4,800	\$14,000
Tax Fees ⁽³⁾	\$7,500	\$7,500
All Other Fees ⁽⁴⁾	\$671	\$5,638

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. "Audit Fees" include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. "Audit Fees" also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits.
- (4) "All Other Fees" include all other non-audit services.

Exemption

The Company is a "venture issuer" as defined in NI 52-110 and relies on the exemption set out in section 6.1 of NI 52-110 from the requirements of Parts 3 (Composition of Audit Committee) and 5 (Reporting Obligations).

ADDITIONAL INFORMATION

Additional information relating to the Company may be found under the Company's profile on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, the Company's principal shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's most recently filed management information circular available on SEDAR at www.sedar.com. Additional financial information is provided in our consolidated financial statements and management's discussion and analysis for the financial year ended September 30, 2020.

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

I. PURPOSE AND PRIMARY RESPONSIBILITY

1. Purpose

The purpose of this Audit Committee Charter {the "Charter") is to clearly set out the objectives, composition, member qualification, member appointment and removal, responsibilities, manner of reporting to the Board of Directors (the "Board") of Char Technologies Ltd (the "Company"), annual evaluation and compliance with this Charter.

2. Primary Responsibility

The primary responsibility of the Audit Committee {the "Committee") is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with relevant legal and regulatory requirements, including without limitation, tax, and securities laws, as well as whistle blowing procedures. The Committee is also responsible for other matters as set out in this Charter and/or as may be directed by the Board from time to time. The Committee should exercise continuous oversight of developments in these areas.

II. MEMBERSHIP

- 1) Each member of the Committee must be an independent director of the Company.
- 2) The Committee will consist of at least three members, all of whom shall be financially literate. A Committee member who is not-financially literate may be appointed to the Committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.
- 3) The members of the Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Committee) by the Board. A Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Committee on ceasing to be an independent director.
- 4) The Chair of the Audit Committee will be appointed by the Board.

III. AUTHORITY

In addition to all authority required to carry out the duties and responsibilities included in this Charter, the Committee has specific authority to:

1. engage, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities and any such consultants or professional advisors retained by the Committee will report directly to the Committee;
2. communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
3. to incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties,

such expenses to be paid for by the Company.

IV. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee include:

1. Matters related to the external auditor:

- (a) recommending to the Board the external auditor to be nominated by the Board, taking into consideration the Committee's assessment of the incumbent external auditor's performance pursuant to subsection (d) below among other things;
- (b) recommending to the Board the compensation of the external auditor, to be paid by the Company, in connection with:
 - (i) preparing and issuing the audit report on the Company's financial statements; and
 - (ii) performing other audit, review or attestation services;
- (c) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Committee);
- (d) overseeing the work of the external auditor, including performing an annual assessment of the external auditor subsequent to the conclusion of each annual audit of the Company's financial statements, as well as a comprehensive assessment of performance every 5 years, or sooner as may be appropriate or required for any reason;
- (e) ensuring that the external auditor is independent by receiving a report annually from the external auditor with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services provided to Company;
- (f) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
- (g) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditor setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
- (h) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (i) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor (the Chair of the Committee has the authority to pre-approve in between regularly scheduled Committee meetings any non-audit service of less than \$25,000, however such approval will be presented to the Committee at the next scheduled meeting for formal approval);
- (j) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Committee activities;

2. Matters related to the financial statements and accounting:

- (a) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with GAAP and the MD&A is in compliance with appropriate regulatory requirements;
- (b) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any changes in the selection or application of accounting principles to be used in the preparation of the financial statements of the Company and its subsidiaries;
- (c) reviewing and discussing with management and the external auditor the external auditor's written communications to the Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;
- (d) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;
- (e) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, before the dissemination of these documents to shareholders, regulators, analysts and the public;
- (f) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditor, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;
- (g) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;
- (h) reviewing with management and the external auditor the integrity of disclosure controls and internal controls over financial reporting. Reviewing the annual and quarterly CEO and CFO certifications under NJ 52-109 and ensuring that the Company has an effective process in place to support those certifications;
- (i) reviewing, monitoring, discussing, and assessing the processes management has put in place to identify and manage the principal risks that could impact the financial reporting of the Company and discussing policies with respect to risk assessment and risk management, which discussions will include:
 - (i) the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, and
 - (ii) guidelines and policies to govern the process by which risk assessment and management is undertaken;
- (j) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from

management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) to satisfy itself that such system may be reasonably relied upon;

(k) resolving disputes between management and the external auditor regarding financial reporting;

(l) establishing procedures for:

(i) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practices relating thereto; and

(ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

3. Other matters

(a) Establishing procedures for:

(i) reviewing the expenses of the Chair of the Board, and the Chief Executive Officer (the "CEO") on a semi annual basis;

(ii) reviewing the adequacy of the Company's insurance coverage (excluding Directors' and Officers' insurance coverage, which is reviewed by the Nominating and Governance Committee);

(iii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board, and

(iv) reviewing fraud prevention policies and programs and monitoring their implementation.

(b) A regular part of Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the Company. The Chair of the Committee will regularly canvass the Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Committee on a timely basis.

(c) On an annual basis the Committee shall review and assess the adequacy of this Charter considering all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by the applicable regulatory bodies with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Charter to the Board for its approval.

V. MEETINGS

1. The quorum for a meeting of the Committee is a majority of the members of the Committee,
2. The Chair of the Committee shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Committee will also maintain regular liaison with the CEO, CFO, and the lead engagement partner of the external auditor.
3. The Committee's schedule of meetings and agendas will be set annually by the Committee.

Dates and locations will be provided to the Board, the Committee members, the external auditor, and management in advance.

4. The Committee will meet in camera separately with the CEO and separately with the CFO of the Company at least annually to review the financial affairs of the Company.

5. The Committee will meet with the external auditor of the Company in camera at least at each meeting at which the external auditor is in attendance, to review the external auditor's examination and report.

6. The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Committee.

7. Each of the Chair of the Committee, members of the Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

VI. REPORTS

1. The Committee will report, at least quarterly, to the Board of Directors regarding the Committee's examination and recommendations, and annually to the Board regarding the Committee's compliance with this Charter.

VII. MINUTES

1. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

VIII. ANNUAL PERFORMANCE EVALUATION

1. The Board of Directors will conduct an annual performance evaluation of the Committee, taking into account the Charter, to determine the effectiveness of the Committee.