
CHAR Technologies Ltd.
Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)

Notice to Reader

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

CHAR Technologies Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at June 30, 2021	As at September 30, 2020
ASSETS		
Current assets		
Cash	\$ 4,992,704	\$ 129,127
Amounts receivable (note 3)	528,628	352,434
Work-in-progress	257,901	101,362
Inventory (note 4)	20,268	13,272
Prepaid expenses	130,340	62,172
Total current assets	5,929,841	658,367
Property and equipment (note 5)	944,222	1,035,600
Right-of-use assets (note 6)	86,324	123,918
Goodwill	917,306	917,306
Intangible assets (note 7)	604,136	672,924
Total assets	\$ 8,481,829	\$ 3,408,115
SHAREHOLDERS' EQUITY AND LIABILITIES		
Liabilities		
Accounts payable and accrued liabilities (notes 8 and 15)	\$ 286,471	\$ 303,157
Lease liabilities (note 10)	9,793	38,099
Loan payable (note 9)	904	3,489
Deferred income tax liability	5,114	5,114
Deferred revenue	102,362	84,153
Deferred grant income (note 5)	440,814	440,814
Flow-through premium liability	-	-
Total current liabilities	845,458	874,826
Lease liabilities (note 10)	82,552	82,552
Loan payable (note 9)	203,728	177,369
Deferred grant income (note 5)	664,633	905,243
Asset retirement obligation (note 14)	60,414	60,074
Total liabilities	1,856,785	2,100,064
Shareholders' equity		
Share capital (note 11)	11,502,143	6,290,039
Share-based payment reserves (note 13)	1,234,189	511,096
Contributed surplus (note 13)	1,061,627	53,744
Deficit	(7,172,915)	(5,546,828)
Total shareholders' equity	6,625,044	1,308,051
Total shareholders' equity and liabilities	\$ 8,481,829	\$ 3,408,115

Nature of business and going concern (note 1)

Subsequent event (note 18)

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

CHAR Technologies Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Revenue				
Engineering services revenue	\$ 268,545	\$ 237,094	\$662,101	\$ 735,667
Technology revenue and product sales	107,443	114,099	357,301	745,604
Total revenue	\$ 375,988	\$ 351,193	\$1,019,402	\$ 1,481,271
Cost of revenue	(215,547)	(177,788)	(524,126)	(788,834)
Gross profit	160,441	173,405	495,276	692,437
Expenses				
Research and development	98,513	23,557	123,513	51,418
Professional fees	209,961	84,552	419,961	298,361
Consulting fees	-	701	6,630	29,894
Office expenses	406,348	162,046	936,769	872,247
Regulatory and filing fees	8,766	-	45,857	-
Depreciation (notes 5 and 6)	96,888	105,619	314,582	315,000
Amortization (note 7)	31,921	31,756	95,598	95,268
Share-based payments (note 13)	343,950	-	530,950	114,890
Reversal of flow-through liability (note 11)	-	-	-	(10,311)
	(1,196,347)	(408,231)	(2,473,858)	(1,766,767)
Loss from operations	(1,035,906)	(234,826)	(1,978,582)	(1,074,330)
Grant income (notes 5 and 9)	110,204	29,256	352,495	382,615
Net loss and comprehensive loss for the period	\$ (925,702)	\$ (205,570)	\$ (1,626,087)	\$ (691,715)
Net loss per share - basic and diluted (note 12)	(0.01)	(0.01)	(0.03)	(0.03)
Weighted average common shares outstanding – basic and diluted (note 12)	70,805,028	45,137,314	61,573,083	45,137,314

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

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

	Nine Months Ended	
	June 30,	
	2021	2020
Operating activities		
Net loss for the period	\$ (1,626,087)	\$ (691,715)
Adjustments for:		
Share-based payments	530,950	114,890
Depreciation	314,582	315,000
Amortization	95,598	95,268
Deferred grant income	(352,495)	(363,864)
Accretion and interest expenses	15,293	-
Reversal of flow-through liability	-	(10,311)
Net change in non-cash working capital:		
Amounts receivable	(86,193)	223,687
Prepaid expenses	(68,168)	77,543
Work-in-progress	(156,539)	158,594
Inventory	(6,996)	(245)
Deferred revenue	18,209	(122,520)
Accounts payable and accrued liabilities	(16,686)	61,645
Net cash provided by (used in) operating activities	(1,338,532)	(142,028)
Investing activities		
Purchase of property and equipment	(185,610)	(59,721)
Purchase of intangible assets	(26,810)	-
Lease payments	(35,016)	96,082
Purchase of right of use assets	-	(93,027)
Net cash (used in) investing activities	(247,436)	(56,666)
Financing activities		
Asset retirement obligation	-	1,013
Proceeds from loans payable	40,000	241,983
Repayment of loans payable	(2,585)	-
Proceeds from issuance of unit options	50,125	-
Proceeds from issuance of common shares, net of costs	6,334,725	-
Proceeds from issuance of unit warrants	27,280	-
Net cash provided by financing activities	6,449,545	242,996
Net change in cash	4,863,577	44,302
Cash, beginning of period	129,127	225,396
Cash, end of period	\$ 4,992,704	\$ 269,698

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

CHAR Technologies Ltd.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Share Capital		Equity Settled Share-Based Payments Reserve	Contributed Surplus	Deficit	Total
	Number of Shares	Amount				
Balance, September 30, 2019	45,137,314	\$ 6,290,039	\$ 412,263	\$ 53,744	\$ (4,843,026)	\$ 1,913,020
Share-based payments (note 13)	-	-	\$ 114,890	-	-	\$ 114,890
Net and comprehensive loss for the period	-	-	-	-	\$ (691,715)	\$ (691,715)
Balance, June 30, 2020	45,137,314	\$ 6,290,039	\$ 527,153	\$ 53,744	\$ (5,534,741)	\$ 1,336,195
Balance, September 30, 2020	45,137,314	\$ 6,290,039	\$ 511,096	\$ 53,744	\$ (5,546,828)	\$ 1,308,051
Common shares/warrants issued for cash (note 11)	25,411,537	\$ 5,679,614	-	\$ 1,015,385	-	\$ 6,694,999
Share issuance costs, net of accretion (note 11)	-	\$ (360,274)	-	-	-	\$ (360,274)
Share-based payments (note 13)	-	-	\$ 530,950	-	-	\$ 530,950
Broker warrants (note 13)	-	\$ (192,143)	\$ 192,143	-	-	-
Exercise of stock options (note 11)	310,000	\$ 50,125	-	-	-	\$ 50,125
Exercise of unit warrants (note 11)	68,200	\$ 34,782	-	\$ (7,502)	-	\$ 27,280
Net and comprehensive loss for the period	-	-	-	-	\$ (1,626,087)	\$ (1,626,087)
Balance, June 30, 2021	70,927,051	\$ 11,502,143	\$ 1,234,189	\$ 1,061,627	\$ (7,172,915)	\$ 6,625,044

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

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Three and Nine Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

1. Nature of business and going concern

CHAR Technologies Ltd. (the "Company" or "CHAR") is a cleantech development and services company, specializing in high temperature pyrolysis, converting woody materials and organic waste into renewable gases (renewable natural gas and green hydrogen) and biocarbon (activated charcoal "SulfaCHAR" and solid biofuel "CleanFyre"). 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. The Company is listed on the TSX Venture Exchange (the "Exchange") trading under the symbol YES.V. The Company's head office address is 789 Don Mills Road, Suite 403, Toronto, Ontario, M3C 1T5.

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

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$7,172,915 as at June 30, 2021 (September 30, 2020 - \$5,546,828). The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at June 30, 2021, the Company had current assets of \$5,929,841 (September 30, 2020 - \$658,367) to cover current liabilities of \$845,458 (September 30, 2020 - \$874,826).

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of on-going public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

On August 30, 2021, the Board of Directors approved these condensed interim consolidated financial statements.

2. Significant accounting policies

(a) Statement of compliance

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 30, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended September 30, 2020, except as noted below.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2021

(Expressed in Canadian Dollars) (Unaudited)

2. Significant accounting policies (continued)

(b) Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated on consolidation. The consolidated financial statements of CHAR and its wholly owned subsidiaries Char Biocarbon Inc. and Altech Environmental Consulting Ltd. are consolidated from the date that control commences until the date that control ceases.

(c) Future Accounting Pronouncements

There are no other IFRS or International Financial Reporting Interpretations Committee interpretation that are not yet effective that are expected to have a material impact on the Company's consolidated financial statements.

(d) Critical accounting judgments and key sources of estimation uncertainty

The preparation of these condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

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

Going concern

As discussed in note 1, these consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

Deferred taxes

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

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2021
(Expressed in Canadian Dollars) (Unaudited)

2. Significant accounting policies (continued)

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

Useful lives of property and equipment and intangibles

The Company reviews the estimated useful lives of property and equipment and intangibles with finite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the year ended September 30, 2020, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Business combinations

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

Share-based payments

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

3. Amounts receivable

	June 30, 2021	September 30, 2020
Trade receivables	\$ 147,244	\$ 214,312
CEWS receivable (note 17)	138,470	63,122
CERS receivable (note 17)	46,573	-
Government grant receivable (note 5)	90,000	75,000
HST receivable	63,341	-
Other receivables	43,000	-
Total amounts receivable	\$ 528,628	\$ 352,434

Other receivables consist of loans extended by the Company to officers and employees, to be paid on demand at the Bank of Canada's prime rate of 2.45%.

4. Inventory

The Company's inventory consists of activated carbon acquired from third parties for the purposes of selling to the Company's customers or using in the operations of the engineering services.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2021
(Expressed in Canadian Dollars) (Unaudited)

5. Property and Equipment

Cost	Computer Equipment	Production Equipment	Asset Retirement Costs	Building and Kiln	Leasehold Improvements	Total
Balance, September 30, 2019	\$ 20,968	\$ 41,852	\$ 56,430	\$ 1,633,124	-	\$ 1,752,374
Additions	5,995	16,769	-	-	20,215	42,979
Balance, September 30, 2020	26,963	58,621	56,430	1,633,124	20,215	1,795,353
Additions	6,044	179,566	-	-	-	185,610
Balance June 30, 2021	\$ 33,007	\$ 238,187	\$ 56,430	\$ 1,633,124	\$ 20,215	\$ 1,980,963

Accumulated depreciation	Computer Equipment	Production Equipment	Asset Retirement Costs	Building and Kiln	Leasehold Improvements	Total
Balance, September 30, 2019	\$ 7,392	\$ 41,852	\$ 20,386	\$ 326,626	-	\$ 396,256
Additions	13,193	3,354	18,810	326,625	1,516	363,498
Balance, September 30, 2020	20,585	45,206	39,196	653,251	1,516	759,753
Additions	2,357	7,882	17,234	244,968	4,548	276,989
Balance June 30, 2021	\$ 22,942	\$ 53,088	\$ 56,430	\$ 898,219	\$ 6,064	\$ 1,036,742

Net book value	Computer Equipment	Production Equipment	Asset Retirement Costs	Building and Kiln	Leasehold Improvements	Total
Balance, September 30, 2020	\$ 6,380	\$ 13,415	\$ 17,234	\$ 979,873	18,699	\$ 1,035,600
Balance June 30, 2021	\$ 10,065	\$ 185,099	-	\$ 734,905	\$ 14,151	\$ 944,221

The Kiln consists of the High Temperature Pyrolysis system to produce SulfaCHAR and CleanFyre, which commenced operation in October 2018. On December 10, 2014, the Company entered into a funding agreement with SD Natural Gas Fund supported by Sustainable Development and Technology Canada ("SDTC") and the Canadian Gas Association to execute on a project to build a 1 tonne per day SulfaCHAR production system. Further to that funding agreement, a Contribution Agreement was signed on November 9, 2015. The grant supports \$750,000 to be paid according to stipulated milestones.

The 1 tonne a day SulfaCHAR production system project was co-funded through Ontario Centres of Excellence ("OCE"). OCE approved a \$1,000,000 non-repayable grant on June 28, 2017 towards the project following the milestones of the SD Natural Gas Fund. Disbursements are subordinate to SD Natural Gas fund approvals and payments.

The milestones are as follows:

Milestone 1: Design and Fabrication of a 1 tonne per day SulfaCHAR production system. Funding from SDTC \$351,227 and OCE \$237,759. This milestone was completed on July 28, 2017.

Milestone 2: Commissioning and initial operation of the 1 tonne a day SulfaCHAR production system. Funding from SDTC \$189,692 and OCE \$441,759. This milestone was completed on October 31, 2018.

Milestone 3 (Final): Testing of the use of SulfaCHAR for biogas cleaning and agricultural applications. Funding from SDTC \$134,081 and OCE \$220,482. This milestone was completed on February 18, 2021.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Three and Nine Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

5. Property and Equipment (continued)

The 10% holdback (\$75,000) from SDTC has been received during the quarter ending March 31, 2021 (note 3).

The Company received during the year ended September 30, 2020 \$18,750 from SDTC as additional funding in response to COVID-19.

On January 23, 2018, the Company received approval for \$1,062,385 from the Government of Ontario through the Low Carbon Innovation Fund ("LCIF") for the commercialization of "Cleanfyre", a carbon neutral coal replacement. The Company received payments of \$531,193 and \$371,835 for milestones 1 and 2, respectively. The next payment will be disbursed as stipulated in the agreement.

The milestones are as follows:

Milestone 1: Consistent production of 1 tonne batches of Cleanfyre that meet the technical specifications of Industrial partners. Funding from LCIF \$531,193. This milestone has been completed.

Milestone 2: 20 tonne field trial of Cleanfyre. Funding from LCIF \$371,835. This milestone has been completed. The grants received from SDTC, OCE and LCIF have been deferred as deferred grant income until the completion of the construction. The grant income will be recognized on systematic basis consistent with the amortization of the related assets.

	June 30, 2021	September 30, 2020
Grant received from SDTC	\$ 768,750	\$ 693,750
Grant received from OCE	1,000,000	1,000,000
Holdback (note 3)	-	75,000
Grant received from LCIF	903,027	903,027
Advance received from NGIF	90,000	
Recognized as grant income	(1,656,331)	(1,325,720)
Total deferred grant income	1,105,446	1,346,057
Less current portion	(440,814)	(440,814)
Long-term portion	\$ 664,633	\$ 905,243

On December 16, 2016, the Company entered into a contribution agreement with Public Works and Government Services Canada for the estimated cost of \$465,270. The contribution is for certain engineering research projects. Since all expenditures incurred for this project have been expensed, the Company has recognized this grant income on systematic basis based on the related expenses recognized in the profit and loss. The Company for this regard \$1,179 was recognized as grant income in the consolidated statements of loss and comprehensive loss for the year end September 30, 2019.

The Company entered into a Project Agreement with Northumberland Business Development Assistance Corp. ("NBDA") on January 17, 2019, where NBDA had received funding from the Government of Canada to accelerate promising technology startups and innovation-driven SMEs and had agreed to make a non-repayable matching contribution up to \$30,000 to the Company upon the Company successfully raising up to \$30,000 in private investments.

The Company entered into a commercialization services agreement with Bioindustrial Innovation Canada ("BIC") on April 15, 2021, where BIC is supporting the balance of plant requirements for upgrading the existing CHAR biocarbon production facility to add the production of renewable natural gas ("RNG"). COMM SCI is providing \$95,000 in a non-repayable cash contribution and \$105,000 in in-kind support from BIC. Balance of plant work includes the civil, structural, mechanical, electrical and other engineering disciplines required to connect the CHAR RNG production system to the various utility requirements.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Three and Nine Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

5. Property and Equipment (continued)

The Company entered into a contribution agreement with Natural Gas Innovation Fund (“NGIF”) on June 22, 2021, where NGIF will be providing \$300,000 in non-repayable grant funding towards the installation of CHAR RNG production system to the current CHAR biocarbon system. The grant includes a 10% holdback to be disbursed on project completion, with the remaining funds being disbursed at the commencement of each of three milestones. The RNG system is expected to enter commissioning in March, 2022. Included in Government grant receivable is the Initial Advance for \$90,000 (30% of total NGIF contribution) invoiced during the quarter ended June 30, 2021.

The milestones are as follows:

Milestone 1: Detailed Engineering Design. This milestone is in progress.

Milestone 2: Fabrication and Commissioning. This milestone has not yet begun.

Milestone 3: Validation. This milestone has not yet begun.

Since the Company completed a private placement on December 31, 2018 for gross process of \$241,000 (note 11), the full amount of \$30,000 was recognized as grant income in the consolidated statements of loss and comprehensive loss for the year end September 30, 2019.

The Company recognized during the quarter ended June 30, 2021, \$110,204 grant income for the grant received from projects above. In addition, the Company recognized \$21,884 grant income during the quarter ended December 31, 2020 related to the discount of the CEBA loans received from the Government of Canada (note 9).

6. Right-of-use Assets

Cost	Vehicles	Office space and land	Total
Balance – September 30, 2020	\$ 65,104	\$ 137,159	\$ 202,263
Additions	-	-	-
Balance June 30, 2021	\$ 65,104	\$ 137,159	\$ 202,263

Accumulated amortization	Vehicles	Office space and land	Total
Balance – September 30, 2020	\$ 17,787	\$ 60,558	\$ 78,345
Amortization	13,003	24,593	37,596
Balance – June 30, 2021	\$ 30,790	\$ 85,151	\$ 115,941

Net book value	Vehicles	Office space and land	Total
Balance, September 30, 2020	\$ 47,317	\$ 76,601	\$ 123,918
Balance, June 30, 2021	\$ 34,314	\$ 52,008	\$ 86,322

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2021
(Expressed in Canadian Dollars) (Unaudited)

7. Intangible assets

Cost	Purchased Technology	Patents	Customer Relationship	Proprietary Design - IP	Total
Balance, September 30, 2020	\$ 1,180,000	\$ 6,230	\$ 42,000	\$ -	\$ 1,228,230
Additions	-	6,612	-	20,198	26,810
Balance June 30, 2021	\$ 1,180,000	\$ 12,842	\$ 42,000	\$ 20,198	\$ 1,255,040
Accumulated amortization	Purchased Technology	Patents	Customer Relationship	Proprietary Design - IP	Total
Balance, September 30, 2019	\$ 413,000	\$ 623	\$ 14,660	\$ -	\$ 428,283
Amortization	118,000	623	8,400	-	127,023
Balance, September 30, 2020	\$ 531,000	\$ 1,246	\$ 23,060	\$ -	\$ 555,306
Amortization	88,500	798	6,300	-	95,598
Balance, June 30, 2021	\$ 619,500	\$ 2,044	\$ 29,360	\$ -	\$ 650,904
Net book value	Purchased Technology	Patents	Customer Relationship	Proprietary Design - IP	Total
Balance, September 30, 2020	\$ 649,000	\$ 4,984	\$ 18,940	\$ -	\$ 672,924
Balance, June 30, 2021	\$ 560,500	\$ 10,798	\$ 12,640	\$ 20,198	\$ 604,136

8. Accounts payable and accrued liabilities

	June 30, 2021	September 30, 2020
Trade accounts payable (note 15)	\$ 225,592	\$ 240,164
Accrued liabilities	60,879	62,993
Total accounts payable and accrued liabilities	\$ 286,471	\$ 303,157

9. Loan Payable

During the year ended September 30, 2020, the Company obtained an auto loan for the purchase of a company vehicle. The table below is a summary of the continuity of the auto loan:

	June 30, 2021
Balance, September 30, 2020	\$ 12,667
Addition	-
Repayments	(2,585)
Balance, June 30, 2021	\$ 10,082
Current portion	\$ 904
Non-current portion	\$ 9,178

The terms of the auto loan are as follows: principal: \$16,769, annual interest rate: 6.14%, maturity: October 17, 2024 and bi-weekly instalments of \$150.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2021

(Expressed in Canadian Dollars) (Unaudited)

9. Loan Payable (continued)

During the year ended September 30, 2020, the Company obtained two CEBA loans from TD Bank, for \$40,000 each ("the CEBA loans"). The terms of the loan are as follows: principal \$40,000, interest rate: 0% per annum during Initial Term and 5% during Extended Term, Initial Term date: December 31, 2022, Extended Term date: December 31, 2025, First Interest Payment date: January 31, 2023.

During the year ended September 30, 2020, the Company obtained the Regional Relief and Recovery Fund (RRRF) for \$148,323 ("the RRRF loan"). The terms are as follows: principal: \$148,323, annual interest rate: 0%, repayment starting: January 15, 2023, maturity: December 15, 2027 and monthly installments of \$2,472.

During the quarter ended December 31, 2020, the Company obtained two additional CEBA loans from TD Bank, for \$20,000 each ("the CEBA loans"). The terms of the loan are as follows: principal \$20,000, interest rate: 0% per annum during Initial Term and 5% during Extended Term, Initial Term date: December 31, 2022, Extended Term date: December 31, 2025, First Interest Payment date: January 31, 2023.

The CEBA loans and RRRF loan were discounted at inception date using a market interest rate of 5%.

	June 30, 2021
Balance, September 30, 2020	\$ 168,191
Addition	40,000
Recognized as grant income (note 5)	(21,884)
Accretion	8,242
Balance, June 30, 2021	\$ 194,549
Current portion	\$ -
Non-current portion	\$ 194,549

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2021
(Expressed in Canadian Dollars) (Unaudited)

10. Lease Liabilities

On October 1, 2019, the Company adopted IFRS 16. As at October 1, 2019, the Company recognized right-of-use asset of \$137,159 and lease liability of \$89,160 (Office space and land) and right-of-use asset of \$65,104 and lease liability of \$65,104 (note 6). The Company did not apply IFRS 16 on a fully retrospective basis. On the date of adoption of IFRS 16, the lease liabilities were measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10% for Office space and land and an interest rate of 6% for Vehicles.

The continuity of lease liabilities is presented in the tables below:

	Office space and land
Balance – September 30, 2020	\$ 71,745
Additions	-
Accretion expense	4,872
Lease payments	(20,352)
Balance – June 30, 2021	\$ 56,265
Current portion	\$ 5,422
Non-current portion	\$ 50,843

	Vehicles
Balance – September 30, 2020	\$ 48,906
Additions	-
Accretion expense	1,839
Lease payments	(14,664)
Balance – June 30, 2021	\$ 36,081
Current portion	\$ 4,372
Non-current portion	\$ 31,709

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Three and Nine Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

11. Share capital

(a) Authorized share capital

Unlimited number of common shares, with no par value.

(b) Issued common shares

	Number of Shares	Amount
Balance, September 30, 2019	45,137,314	\$ 6,290,039
Balance, September 30, 2020	45,137,314	\$ 6,290,039
Common shares issued for cash (i)	6,950,000	\$ 695,000
Balance, December 31, 2020	52,087,314	\$ 6,985,039
Common shares issued for cash (ii)	18,461,537	\$ 6,000,000
Unit Warrants (ii)	-	(1,015,385)
Share issuance costs cash, net of accretion	-	(372,175)
Fair value assigned to broker warrants (iii)	-	(192,143)
Share issued on exercise of stock options (note 13)	10,000	1,750
Balance, March 31, 2021	70,558,851	\$ 11,407,085
Share issuance costs, net of accretion	-	11,901
Share issued on exercise of stock options (note 13)	300,000	48,375
Share issued on exercise of unit warrants	68,200	27,280
Fair value of unit warrants exercised	-	7,502
Balance, June 30, 2021	70,927,051	\$ 11,502,143

(i) In October 2020, the Company completed a small non-brokered private placement for \$695,000 through the issuance of 6,950,000 common shares at a price of \$0.10 per share. The proceeds are intended to be used for technology commercialization and working capital purposes.

(ii) In February 2021, the Company completed a non-brokered private placement whereby the Company issued 18,461,537 units at a price of \$0.325 per unit for gross proceeds of \$6,000,000. Each unit is comprised of one common share and one half of a warrant exercisable at \$0.40 within two years. Under IFRS 9 the Company has allocated \$4,984,615 to common stock and \$1,015,385 to the value of the warrants issued using the Black Scholes model.

(iii) In February 2021, with respect to the Company's unit financing, 914,967 broker warrants were issued for a 2 year term at a strike price of \$0.325.

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

	Number of Unit Warrants	Exercise Price (\$)
Balance, September 30, 2020	-	-
Warrants from Units	9,230,769	0.40
Unit Warrants Exercised	(68,200)	0.40
Balance, June 30, 2021	9,162,569	0.40

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2021
(Expressed in Canadian Dollars) (Unaudited)

12. Net loss per common share

Basic and diluted loss per share are as follows for the periods presented:

	Three Months Ended June 30		Nine Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net loss	\$ (865,628)	\$ (205,570)	\$ (1,626,087)	\$ (691,715)
Denominator				
Weighted average number of common shares - basic and diluted	70,805,028	45,137,314	61,573,083	45,137,314
Net loss per share - basic and diluted	(0.01)	(0.01)	\$ (0.03)	\$ (0.03)

13. Stock options

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

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, September 30, 2019	2,979,125	0.19
Granted (i) (ii) (iii) (iv)	1,240,000	0.11
Forfeited	(321,000)	0.20
Balance, September 30, 2020 and December 31, 2020	3,898,125	0.17
Granted (v)	1,333,000	0.49
Granted (vi)	150,000	0.72
Exercised	(10,000)	0.17
Forfeited	(12,000)	0.20
Forfeited	(12,000)	0.115
Balance, March 31, 2021	5,347,125	0.30
Granted (vii)	95,000	0.72
Exercised	(250,000)	0.17
Exercised	(50,000)	0.105
Balance, June 30, 2021	5,142,125	0.30

(i) On January 30, 2020, the Company granted 930,000 stock options to directors, officers, employees, and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.115 per share. These stock options vest as follows: 525,000 stock options vested immediately, and 405,000 stock options vesting based on the achievement of specific performance and vesting criteria. Management considered that the achievement of the milestones is very probable and therefore the full stock-based compensation for these stock options were recognized.

(ii) On February 27, 2020, the Company granted 100,000 stock options to a consultant of the Company. The stock options may be exercised for a period of five years at a price of \$0.150 per share. These stock options vested immediately.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Three and Nine Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

13. Stock options (continued)

(iii) On April 1, 2020, the Company granted 160,000 stock options to an officer of the Company. The stock options may be exercised for a period of five years at a price of \$0.075 per share. The stock options vest at the end of each quarter in equal tranches ending in March 2021.

(iv) On July 1, 2020, the Company granted 50,000 stock options to a director of the Company. The stock options may be exercised for a period of five years at a price of \$0.105 per share. These stock options vested immediately.

(v) On January 29, 2021, the Company granted 1,333,000 stock options to directors, officers, employees, and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.49 per share. These stock options vest as follows: 860,000 stock options vested immediately or by March 31, 2021, and 473,000 stock options vesting in one year.

(vi) On March 31, 2021, the Company granted 150,000 stock options to directors of the Company. The stock options may be exercised for a period of five years at a price of \$0.72 per share. These stock options vested immediately.

(vii) On April 5, 2021, the Company granted 95,000 stock options to directors and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.720 per share. These stock options vest as follows: 35,000 stock options vested when granted and 60,000 stock options were to vest in one year.

The following table reflects the actual stock options issued and outstanding as of June 30, 2021:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
August 25, 2021	0.17	0.15	400,000	400,000	-
January 27, 2022	0.18	0.58	715,000	495,000	220,000
January 18, 2023	0.22	1.55	620,000	620,000	-
January 28, 2024	0.20	2.55	573,000	573,000	-
August 16, 2024	0.16	3.13	78,125	78,125	-
January 30, 2025	0.115	3.59	918,000	813,000	105,000
February 27, 2025	0.150	3.67	100,000	100,000	-
April 1, 2025	0.075	3.76	160,000	120,000	40,000
January 29, 2026	0.49	4.59	1,333,000	860,000	473,000
March 31, 2026	0.72	4.75	150,000	150,000	-
April 5, 2026	0.72	4.77	95,000	35,000	60,000
	0.29	3.01	5,142,125	4,244,125	898,000

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

During the quarter ended March 31, 2021, the Company has issued 914,967 Broker Warrants, in the amount of \$192,143, under IFRS 2 as part of the share-based payment reserve, and it is part of the issuance costs.

Contributed surplus

The contributed surplus reserve records the corresponding amount share-based compensation for expired options and warrants. The contributed surplus also reflects the value of the 9,230,769 Unit Warrants, in the amount of \$1,015,385, that the Company has issued during the quarter ended March 31, 2021.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Three and Nine Months Ended June 30, 2021 (Expressed in Canadian Dollars) (Unaudited)

14. Asset retirement obligation

The following table shows the movement for the asset retirement obligation:

	June 30, 2021	September 30, 2020
Balance, beginning	\$ 60,074	\$ 58,723
Accretion	340	1,351
Balance, ending	\$ 60,414	\$ 60,074

The Company's asset retirement obligation consists of costs associated with SulfarCHAR production system (note 5). The land and building where the Company is building the project is leased from a third party for three years. According to the lease agreement, the Company must dismantle and remove all its equipment at the completion of the lease.

In calculating the fair value of the Company's asset retirement obligations, the Company used a risk-free rate of 2.3% and an inflation rate of 2%. The majority of the expenditures are expected to occur in 2021 or thereafter.

15. Related party balances and transactions

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

	Nine Months Ended June 30,	
	2021	2020
Marrelli Support Services Inc. ("MSSI") (i)	\$ -	\$ 14,270
DSA Corporate Services ("DSA") (ii)	\$ 7,713	\$ 6,842
1456087 Ontario Inc. ("1456087") (iii)	\$ 80,000	\$ 45,000
Numbers & Co. (iv)	\$ -	\$ 35,750
Mark Korol, CFO (v)	\$ 129,000	\$ 18,000
Eric Beutel (vi)	\$ 5,000	\$ -

(i) The former Chief Financial Officer of the Company was a senior employee of MSSI.

(ii) DSA is affiliated with MSSI through a common officer. DSA provides corporate secretarial services. As at March 31, 2021, DSA was owed \$825.00 (September 30, 2020 - \$849). These amounts are included in accounts payable and accrued liabilities (note 8).

(iii) 1456087 Ontario Inc. is a company controlled by James Sbrolla, a director of the Company. 1456087 Ontario Inc. provides consulting services to the Company. As at March 31, 2021, 1456087 Ontario Inc. was owed \$nil.

(iv) Numbers & Co. is a company controlled by the former Chief Administration Officer of the Company, Dimitris Stubos. Numbers & Co. provides consulting services to the Company. Mr. Stubos ceased to be the CAO in April, 2020. As at March 31, 2021, Numbers & Co. was owed \$nil (September 30, 2020 - \$nil).

(v) Mark Korol was appointed Chief Financial Officer as of April 1, 2020. As at March 31, 2021, Mark Korol was owed \$nil.

(vi) Eric Beutel is a Director of the Corporation.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2021
(Expressed in Canadian Dollars) (Unaudited)

15. Related party balances and transactions (continued)

Remuneration of key management of the Company was as follows:

	Nine Months Ended June 30,	
	2021	2020
Salaries	\$ 215,100	\$ 190,943

The Company Board of Directors compensation during the quarter ended June 30, 2021 was as follows:

	June 30, 2021	
William White	\$	5,625
James Sbrolla	\$	5,000
Eric Beutel	\$	5,625
Benj Gallander	\$	5,000
Jane Pagel	\$	5,000
Nikita Nanos	\$	5,000
Paul Pellegrini	\$	5,000

16. Commitment

The Company has no further obligations with respect to flow through shares. As at December 30, 2020, \$Nil remains to be spent as part of the flow-through funding agreement for shares issued in December 2018. The Company had indemnified the subscribers for any related tax amounts that could have become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

17. Subsidies received

In response to the unprecedented impact of COVID-19 on Canadian business, in March 2020 the government announced a number of support programs for small businesses.

The Temporary Wage Subsidy (TWS) allows eligible employers to reduce the amount of payroll deductions they would otherwise be required to remit to the Canada Revenue Agency (CRA). The amount of the subsidy is 10% of remuneration, to a maximum of \$1,375 per employee and a maximum of \$25,000 per employer.

The Canada Emergency Wage Subsidy (CEWS) was announced on March 27, 2020. Under this program, qualifying employers whose business has been adversely affected by COVID-19 can receive up to 75% of their employees' wages. The maximum subsidy provided under this program is \$847 per week per employee from period 1 to 6, and \$461 from period 7 onwards.

In the Consolidated Statements of Loss and Comprehensive Loss, the Wage Subsidy has been netted against employee salaries (under office expenses).

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended June 30, 2021
(Expressed in Canadian Dollars) (Unaudited)

17. Subsidies received (continued)

The table below is a summary of the Wage Subsidy as of June 30, 2021:

	CEWS	TWS
First Period	\$ 31,578	\$ 2,514
Second Period	30,150	4,338
Third Period	33,249	2,611
Fourth Period	37,476	288
Fifth Period	37,877	-
Sixth Period	37,877	-
Seventh Period	25,245	-
Eighth Period	22,459	-
Ninth Period	22,292	-
Tenth Period	35,489	-
Eleventh Period	39,125	-
Twelfth Period	38,415	-
Thirteenth Period	31,511	-
Fourteenth Period	25,760	-
Fifteenth Period	9,498	-
Sixteenth Period	33,286	-
Total Wage Subsidy	\$ 491,287	\$ 9,751
Wage Subsidy received as of June 30, 2021	352,817	9,751
Wage Subsidy receivable (note 3)	\$ 138,470	-

The Canada Emergency Rent Subsidy (CERS) was announced in September, 2020. Under this program, qualifying employers whose business has been adversely affected by COVID-19 can receive a subsidy to cover part of their commercial rent or property expenses, starting on September 27, 2020, until June 2021. This subsidy provides payments directly to qualifying renters and property owners, without requiring the participation of landlords. The base subsidy rate applies to a maximum of \$75,000 in eligible expenses per location and an overall maximum of \$300,000 in expenses per claim period.

In the Consolidated Statements of Loss and Comprehensive Loss, the Rent Subsidy has been netted against rent expenses (under office expenses) related to the Company short term lease that has not been capitalized under IFRS16.

The table below is a summary of the Rent Subsidy as of June 30, 2021:

	CERS
First Period	\$ 4,644
Second Period	4,737
Third Period	7,435
Fourth Period	9,694
Fifth Period	12,017
Sixth Period	10,138
Seventh Period	7,717
Eighth Period	2,852
Ninth Period	8,803
Total Rent Subsidy	\$ 68,037
Rent Subsidy received as of June 30, 2021	21,464
Rent Subsidy receivable (note 3)	\$ 46,573

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2021

(Expressed in Canadian Dollars) (Unaudited)

18. Subsequent Event

On July 21, 2021, the Company granted 75,000 stock options to a consultant of the Company. The stock options may be exercised for a period of five years at a strike price of \$0.52 per share.

On July 22, 2021, the Company entered into a Build, Own, Operate and Transfer Agreement with Kompogas SLO LLC, an operating company of Hitachi Zosen Inova (USA), to develop and install a High Temperature Pyrolysis system (HTP) at their site at San Luis Obispo (CA).