

ESG GLOBAL IMPACT CAPITAL INC.

Consolidated Financial Statements
Years Ended August 31, 2022 and 2021
(Expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of ESG Global Impact Capital Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ESG Global Impact Capital Inc. (the "Company"), which comprise the consolidated statement of financial position as at August 31, 2022, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company for the year ended August 31, 2021 were audited by another auditor who expressed an unqualified opinion on those statements on December 29, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is G. Cameron Dong.

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Vancouver, BC, Canada
December 29, 2022

ESG GLOBAL IMPACT CAPITAL INC.Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	August 31, 2022 \$	August 31, 2021 \$
Assets		
Current assets		
Cash	187,988	55,657
Investments (Note 3)	4,127,726	9,422,352
Taxes receivable	–	57,054
Loans and other receivable (Note 5)	716,733	275,387
Advances for investment (Note 6)	–	695,000
Prepaid expenses	68,060	46,590
	5,100,507	10,552,040
Investment in mineral properties (Note 4)	1	1
Total assets	5,100,508	10,552,041
Liabilities		
Current liabilities		
Bank indebtedness	–	72,488
Accounts payable and accrued liabilities	425,877	470,438
Notes payable (Note 7)	260,000	270,733
Due to related parties (Note 8)	148,280	48,780
	834,157	862,439
Non-current portion of notes payable (Note 7)	–	100,000
Total liabilities	834,157	962,439
Shareholders' equity		
Share capital (Note 9)	18,555,823	18,374,092
Share-based payment reserve	1,729,772	1,729,772
Preferred shares (Note 9)	6,388,000	6,388,000
Deficit	(22,407,244)	(16,902,262)
Shareholders' equity	4,266,351	9,589,602
Total liabilities and shareholders' equity	5,100,508	10,552,041

Nature of operations and continuance of business (Note 1)

Approved for issuance on behalf of the Board of Directors on December 29, 2022:

/s/ 'David Berg'

David Berg, Director

/s/ 'Christopher Cherry'

Christopher Cherry, Director

(The accompanying notes are an integral part of these consolidated financial statements)

ESG GLOBAL IMPACT CAPITAL INC.Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

For the years ended August 31,	2022	2021
	\$	\$
Gain (Loss) on sale of investments	277,564	2,324,762
Gain on debt assignment (Note 7b)	–	539,983
Gain on debt settlement (Note 5a)	–	143,744
Interest revenue	16,865	27,740
Unrealized gain (loss) on investments	(5,432,930)	2,961,091
	(5,138,501)	5,997,320
Expenses		
Consulting fees (Note 8)	181,731	705,563
Filing fees	37,768	37,418
General and administrative	1,046	31,837
Professional fees (Note 8)	81,382	115,879
Total expenses	301,927	890,697
Gain (loss) before other income (expense)	(5,440,428)	5,106,623
Other income (expense)		
Impairment of investments (Note 4)	–	(6,387,999)
Write-off of taxes receivable	(57,054)	–
Interest expense	(7,500)	(17,510)
Total other income (expense)	(64,554)	(6,405,509)
Net income (loss) and comprehensive income (loss) for the year	(5,504,982)	(1,298,886)
Earning (Loss) per share		
Basic (Note 9d)	(0.18)	(0.04)
Diluted (Note 9d)	(0.18)	(0.04)
Weighted average number of shares outstanding		
Basic (Note 9d)	30,549,641	29,490,638
Diluted (Note 9d)	30,549,641	29,490,638

(The accompanying notes are an integral part of these consolidated financial statements)

ESG GLOBAL IMPACT CAPITAL INC.Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Preferred shares \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$				
Balance, August 31, 2020	29,467,761	18,366,592	1,729,772	6,388,000	(15,603,376)	10,880,988
Shares issued for warrant exercise	50,000	7,500	–	–	–	7,500
Net loss for the year	–	–	–	–	(1,298,886)	(1,298,886)
Balance, August 31, 2021	29,517,761	18,374,092	1,729,772	6,388,000	(16,902,262)	9,589,602
Shares issued for debt	2,307,692	181,731	–	–	–	181,731
Net loss for the year	–	–	–	–	(5,504,982)	(5,504,982)
Balance, August 31, 2022	31,825,453	18,555,823	1,729,772	6,388,000	(22,407,244)	4,266,351

(The accompanying notes are an integral part of these consolidated financial statements)

ESG GLOBAL IMPACT CAPITAL INC.Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended August 31,	2022	2021
	\$	\$
Operating activities		
Net income (loss) for the year	(5,504,982)	(1,298,886)
Items not involving cash:		
Adjustments to fair value of investments	5,432,930	(2,961,091)
Finance cost	7,500	17,510
Finance income	(16,846)	(15,039)
Foreign exchange loss	–	10,146
Gain (Loss) on sale of investments	(277,564)	(2,324,762)
Gain on debt settlement	–	(143,744)
Impairment of investments	–	6,387,999
Shares issued for debt settlement	181,731	–
Write-off of taxes receivable	57,054	–
Changes in non-cash operating working capital:		
Amounts receivable	–	(25,122)
Prepaid expenses	(21,470)	(13,000)
Accounts payable and accrued liabilities	(44,561)	266,990
Due to related party	99,500	37,280
Net cash used in operating activities	(86,708)	(61,719)
Investing activities		
Acquisition of investments	(916,493)	(6,570,135)
Advances for investment	–	(695,000)
Cash received/(advanced) from/(to) loans and other receivable	(424,500)	186,353
Proceeds from loans payable	–	148,298
Proceeds from sale of investments	1,750,753	6,043,070
Repayment of notes payable	(118,233)	–
Net cash provided by (used in) investing activities	291,527	(887,414)
Financing activities		
Bank indebtedness	(72,488)	64,308
Proceeds from issuance of common shares and share subscriptions	–	7,500
Net cash provided by (used in) financing activities	(72,488)	71,808
Change in cash	132,331	(877,325)
Cash, beginning of year	55,657	932,982
Cash, end of year	187,988	55,657

(The accompanying notes are an integral part of these consolidated financial statements)

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

ESG Global Impact Capital Inc. (the "Company") was incorporated on February 10, 2010 pursuant to the Canada Business Corporations Act and was continued under the Business Corporations Act (British Columbia) on February 14, 2017. The Company completed its initial public offering ("IPO") on December 7, 2010, and is listed on the TSX-V under the symbol "ESGW". The registered office of the Company is Suite 1000, 925 West Georgia Street, Vancouver, BC V6C 3L2.

The Company's stated business goal is to build a portfolio of investments, with a view to participating in income and capital growth from the ultimate sale or other disposal of those investments.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at August 31, 2022, the Company has an accumulated deficit of \$22,407,244 (2021 - \$16,902,262). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that its current working capital is sufficient to meet the Company's liabilities and commitments as they become due.

These audited consolidated financial statements were authorized for issue by the Board of Directors on December 29, 2022.

COVID-19

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. It is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Significant Accounting Policies

(a) Statement of Compliance, Basis of Presentation and Principles of Consolidation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except for certain investments in equity securities and certain assets, each of which are measured at fair value as determined at each reporting date. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

These consolidated financial statements include the financial statements of the Company and Soilgenic Nutrients Inc. a subsidiary wholly owned by the Company. All intercompany transactions have been eliminated in these consolidated financial statements. Subsidiary is fully consolidated from the date on which control is obtained by the Company and is subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

(b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. 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 and in any future periods affected.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. 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 and in any future periods affected.

Estimates

Collectability of loans and other receivable

The Company reviews the loans and other receivable balances on a regular basis and estimates the likelihood of collection and records allowance for estimated losses. Management bases its estimates on historical experience and other relevant factors.

Fair value of investment in private companies

The fair value of investments in private companies are not quoted in an active market may be determined by using third-party pricing information and are usually based on valuation methods and techniques generally recognized as standard within the industry. Models use observable data to the extent practicable. Changes in assumptions about these factors could affect the reported fair value of the investments in private companies. When the fair value cannot be determined, the Company uses the carrying value of the investments.

Fair value of investment in warrants

Management uses Black-Scholes option pricing model in measuring the fair value of investment in warrants, where active market quotes are not available. In applying the valuation technique, management is required to determine and make assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate. Such assumptions are inherently uncertain and changes in these assumptions affect the fair value estimates.

Fair value of share-based payments

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and warrants at the date of grant. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. Changes in these assumptions can materially affect the fair value estimate.

Fair value measurement

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

Unrecognized deferred income tax assets

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences") and losses carried forward. The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

Judgements

Judgments made by management include the factors used to assess whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. Management has concluded that the cash position of the Company is sufficient to finance continued operations for the twelve-month period subsequent to August 31, 2022.

The continuity of the Company's operations is dependent on the continued growth and building of its portfolio of investments. Should it be determined that the Company is no longer a going concern, adjustments which may be significant could be required to the carrying value of the assets and liabilities. These consolidated financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the consolidated statements of income (loss) and comprehensive income (loss), and consolidated statements of financial position classifications that would be necessary should the going concern assumption not be appropriate.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Financial Instruments

(i) Recognition and initial measurement

The Company's financial instruments consist of cash, loans and other receivable, investments, bank indebtedness, amounts due to related parties, accounts payable and accrued liabilities, and notes payable.

All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statements of income (loss) and comprehensive income (loss).
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statements of income (loss) and comprehensive income (loss). Any gain or loss on derecognition is recognized in the statements of income (loss) and comprehensive income (loss).
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statements of income (loss) and comprehensive income (loss). Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statements of income (loss) and comprehensive income (loss).

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(ii) Classification and subsequent measurement (continued)

- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statements of income (loss) and comprehensive income (loss) unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statements of income (loss) and comprehensive income (loss).

The Company's cash and loans and other receivable are classified as amortized cost. Investments are classified as fair value through profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statements of income (loss) and comprehensive income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognized in the statements of income (loss) and comprehensive income (loss). Any gain or loss on derecognition is also recognized in the statements of income (loss) and comprehensive income (loss).

The Company's bank indebtedness, accounts payable and accrued liabilities, notes payable, and amounts due to related parties are classified as amortized cost.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statements of income (loss) and comprehensive income (loss).

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(v) Impairment (continued)

Financial assets and contract assets

The Company recognizes loss allowances for expected credit losses (“ECLs”) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL’s that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(v) Impairment (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to the statements of income (loss) and comprehensive income (loss) and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(e) Investment in Mineral Properties

The Company's investment in mineral properties are currently in exploration and evaluation phase or in preparation for their development. The Company defers all expenditures related to its mineral properties once the legal rights to a property have been acquired. Exploration costs incurred prior to acquiring the legal rights to a property are charged to operations as general exploration expense.

Exploration costs that are not attributable to a specific property are charged to operations as general exploration expense. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as mineral property represent net costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss.

The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

Management performs impairment tests on exploration and evaluation assets before the assets are transferred to development properties. If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the related period.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Impairment of Non-financial Assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and stock options are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their estimated fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

(h) Revenue Recognition

As an investment company, the Company may earn revenue in the form of interest or dividends which derive from its investments or from cash on hand. Investment income includes interest, dividends, and realized gains on the sale of investments. Revenue is recognized in accordance with IFRS 15, *Revenues*, only when: (i) the borrower can be identified; (ii) the performance obligations in the contract can be identified; (iii) the transaction price has been determined; (iv) the transaction price can be allocated to the performance obligations in the contract; and (v) when the entity satisfied a performance obligation.

(i) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at average rates for the period. Foreign exchange gains and losses are included in the statements of income (loss) and comprehensive income (loss).

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statements of income (loss) and comprehensive income (loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(j) Income Taxes (continued)

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(k) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(l) Other Comprehensive Income (Loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statements of income (loss) and comprehensive income (loss). As at August 31, 2022 and 2021 the Company had no items that represent other comprehensive income (loss).

(m) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company fair values the goods or services it receives as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

3. Investments

Publicly listed Companies:	Number of Shares	Cost \$	Fair Value \$
Aduro Clean Technologies Inc.	7,500	5,870	6,300
AIML Resources Inc.	636,000	184,000	76,320
Amego Cap Corp.	5,000	1,000	1,150
Aneesh Cap Corp.	15,000	1,500	1,800
Arcpacific Resource Corp.	666	50	27
Auq Gold Mining Inc.	1,208,500	367,921	60,425
Billy Goat Brands Ltd.	60,000	30,000	3,000
Bullion Gold Resources Corp.	31,500	4,093	-
Columbus Energy Ltd.	400,000	28,000	32,000
Cypress Hills Resource Corp.	200,000	69,153	35,000
District Mines Ltd.	6,263	25,050	313
East Africa Metals Inc.	1,010,000	246,620	131,300
Eat Well Investment Group Inc.	319,500	237,920	55,913
Erin Ventures Inc.	2,500,000	125,000	112,500
EV Nickel Inc.	70,400	52,800	10,912
FE Battery Metals Corp.	200,000	50,100	22,000
Givex Info Tech GRP	60,000	60,000	40,200
Graphano Energy Ltd.	230,769	75,000	73,846
Imining Technologies Inc.	100,000	61,390	9,000
Infinity Stone Ventures Corp.	50,000	25,000	17,500
Izotropic Corporation	7,000	6,300	3,570
Jackpot Digital Inc.	250,000	45,000	12,500
King Global Ventures Inc.	9,012,000	313,342	225,300
Kore Mining Ltd.	50,000	47,500	9,000
Leef Brands Inc.	200,000	94,233	19,000
Lithium One Metals Inc.	3,739,500	507,635	299,160
Mantaro Silver Corp.	200,000	70,000	16,000
Nexe Innovations Inc.	15,000	30,000	3,825
NFT Technologies Inc.	50,000	17,608	13,500
Numinus Wellness Inc.	40,000	27,200	14,400
Nurosene Health Inc.	65,000	176,705	20,800
Odd Burger Corporation	40,000	16,000	16,000
Organic Foods Inc.	180,000	101,105	18,900
Planet Based Foods Global Inc.	165,000	49,500	28,050
Planting Hope Company Inc.	175,000	80,000	98,000
SBD Capital Corp.	300,000	6,320	1,500
Solid Impact Investments Corp.	10,000	1,000	1,250
Stallion Gold Corp.	724,997	124,402	108,750
Treatment.com International Inc.	50,000	30,000	12,500
True North Gems Inc.	950,000	67,345	56,000
Vinergy Capital Inc.	5,300,000	217,000	106,000
Wonderfi Technologies Inc.	19,000	45,600	8,265
		3,724,262	1,781,776

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

3. Investments (continued)

	Number of Shares	Cost \$	Fair Value \$
Warrants:			
WT-Aduro Clean Technologies Inc.	301,607	-	169,338
WT-Allegiant Gold Ltd.	125,000	-	394
WT-Arcpacific Resource Corp.	333,333	-	893
WT-Aurania Resources Ltd.	15,000	-	-
WT-Aurora Cannabis Inc.	5,000	-	600
WT-Billy Goat Brands Ltd.	30,000	-	20
WT-Bitcoin Well	300,000	-	351
WT-Planet Based Foods Global Inc.	82,500	-	4,900
WT-Else Nutrition	45,000	-	-
WT-Erin Ventures Inc.	5,000,000	-	48,698
WT-ESE Entertainment	94,500	-	529
WT-EV Nickel Inc.	70,400	-	1,029
WT-FE Battery Metals Corp.	200,000	-	114
WT-Givex Info Tech Grp	75,000	-	12,460
WT-Graphano Energy Ltd.	230,769	-	172,196
WT-Idaho Champion Gold	42,500	-	1,370
WT-Imining Block	100,000	-	1,290
WT-Infinity Stone Ventures Corp.	50,000	-	5,525
WT-Izotropic Corporation	40,000	-	188
WT-Jackpot Digital Inc.	250,000	-	7,751
WT-King Global Ventures Inc.	6,000,000	-	52,993
WT-Kore Mining Ltd.	25,000	-	4
WT-Mind Medicine	15,000	-	649
WT-Nexe Innovations Inc.	7,500	-	-
WT-Numinus Wellness Inc.	20,000	-	14
WT-Optimi Health Corp	80,000	-	864
WT-Pontus Protein	100,000	-	241
WT-Promis NeuroScience	1,000,000	-	64,990
WT-Sassy Resources Corp.	50,000	-	2,468
WT-Trillion Energy INTL	50,000	-	11,469
WT-True North Gems Inc.	750,000	-	11,266
WT-Vext Science Inc.	150,000	-	17,250
WT-Vinergy Cannabis	2,800,000	23,103	22,900
WT-Vinergy Capital Inc.	250,000	-	610
WT-Volcanic Gold Mines	50,000	-	414
WT-Wonderfi Tech Inc.	9,500	-	340
WT-Xander Resources	66,000	-	221
WT-Lithium One Metals Inc.	800,000	-	31,610
		23,103	645,949
Total Publicly Listed Companies		3,747,365	2,427,725

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

3. Investments (continued)

	Number of Shares	Cost \$	Fair Value \$
Private Unlisted Companies:			
Everyday People Financial Inc.	500,000	-	225,000
Zaap Charge inc.	1,000,000	50,000	1
Hydron	2,900,000	1,000,000	1,450,000
Golden Planet Mining	50,000	25,100	25,000
		1,075,100	1,700,001
TOTAL INVESTMENTS			\$ 4,127,726

4. Investment in Mineral Properties

On August 31, 2020, the Company acquired Encanto Potash Corp.'s 22.96% interest of potash resources in Saskatchewan through the issuance of 730,000 Series B redeemable convertible preferred shares of the Company. The Company determined the acquisition was an asset acquisition and the fair value of the assets acquired amounted to \$6,388,000. During the year ended August 31, 2021 the investment in Encanto Potash was impaired down to \$1. Also see Note 9a.

5. Loans and Other Receivable

	Loan outstanding as at August 31, 2022	Loan outstanding as at August 31, 2021
Icanic Brands Company Inc. (b)	292,233	275,387
Vinergy Capital Inc. (a)	-	-
Encanto Potash Corp.(c)	424,500	-
Total	716,733	275,387

- (a) In July 2019, the Company loaned \$250,000 to an unrelated publicly traded company. The loan is unsecured, bears interest at 10% per annum, and due on July 31, 2020 in either cash or common shares of the publicly traded company at the closing trading price on the date of conversion. As at August 31, 2020 the Company has accrued interest of \$28,014 (2019 - \$3,014). On December 21, 2020, the Company entered into loan settlement agreement to settle \$100,000 outstanding balance of the loan by receiving Units of the unrelated publicly traded company, at \$0.05 per Unit. Each Unit is comprised of one common share and one warrant, exercisable at \$0.06 per share for 12 months from December 21, 2020. For the remaining \$186,370 outstanding balance of the Loan, the borrower has issued a new promissory note to the Company. The borrower will pay back the remaining \$186,370, plus interest continued accrued at 10% per annum to the Company on March 31, 2021. The Company has recognized \$143,744 gain from this loan settlement on December 21, 2020. During the year ended August 31, 2021, the entire loan was repaid.
- (b) During the year ended August 31, 2020, the Company loaned \$261,890 (USD \$200,000) to an unrelated publicly traded company. The loan is secured, bears interest at 6% per annum, and due on June 30, 2022 in either cash or common shares of the publicly traded company at the closing trading price on the date of conversion. For the August 31, 2022 year-end, the Company has accrued interest income of \$16,846 (2021 - \$16,846).
- (c) During the year ended August 31, 2022, the Company advanced \$424,500 to an unrelated publicly traded company. The loan is unsecured, bears interest at 10% per annum, and due on demand.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

6. Advances for investment

During the year ended August 31, 2022, the Company advanced \$305,000 (2021 - \$695,000) to an unrelated private company. The total amount advanced was converted to shares during the year ended August 31, 2022.

7. Notes Payable

	2022	2021
Balance, beginning of year	370,733	204,925
Issue of notes payable	-	260,000
Interest expense	7,500	7,500
Repayment	(118,233)	(101,692)
Balance, end of year	260,000	370,733
Less: Current portion	260,000	270,733
Non-current portion	-	100,000

- (a) As at August 31, 2022, the Company repaid \$118,233 to a non-related party. The amount was unsecured, bore interest at 10% per annum.
- (b) During the year ended August 31, 2021, the Company entered into a debt assignment agreement by which the Company agreed to purchase \$2,000,000 of debt at face value of an unrelated publicly traded company for a cost of \$260,000. During the year ended August 31, 2021, the Company was able to collect \$799,982 of the outstanding debt and recognized \$539,983 as gain on debt assignment. As at August 31, 2022 the full balance of \$260,000 was still outstanding. The amount owing is unsecured and non-interest bearing. The \$10,000 was due upon execution of the debt assignment agreement. The remaining \$250,000 was due in intervals of 90 days following the execution of the debt assignment agreement, with final payment due June 30, 2023.

8. Related Party Transactions

- (a) During the year ended August 31, 2022, the Company incurred consulting fees of \$30,000 (2021 - \$30,000) to a company controlled by the Chief Financial Officer ("CFO") of the Company. As at August 31, 2022 the Company had a payable of \$61,000 (2021 - \$31,000) to the company controlled by the CFO.
- (b) During the year ended August 31, 2022, the Company incurred consulting fees of \$60,000 (2021 - \$30,000) to the Chief Executive Officer of the Company. As at August 31, 2022, the Company had \$77,780 (2021 - \$17,780) payable to the CEO.
- (c) During the year ended August 31, 2022, the Company incurred consulting fees of \$10,500 (2021- \$10,500) to a director of the Company. As at August 31, 2022, the Company had \$nil (2021 - \$10,500) payable to the director.
- (d) During the year ended August 31, 2022, the Company incurred consulting fees of \$10,000 (2021- \$Nil) to a director of the Company. As at August 31, 2022, the Company had \$10,000 (2021 - \$Nil) payable to the director.

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

9. Share Capital

Authorized: Unlimited common shares without par value and 5,000,000 Series B redeemable convertible preferred shares with stated face value of \$10 per share.

- (a) On August 31, 2020 the Company issued 730,000 Series B redeemable convertible preferred shares at a face value of \$10 to acquire the Encanto Potash Corp.'s 22.96% interest of potash resources in Saskatchewan. The Series B redeemable convertible preferred shares are voting and carry preferential dividend rights over the common shares and are convertible at the option of the Company into ten common shares of the Company based upon either of the following options; redeem one dollar approximately every 180 days or a maximum of two dollar within a twelve month period. As of August 31, 2021 and up to the date of the audit report, none of the preferred shares have been redeemed or converted into common shares.
- (b) On August 31, 2021 the Company received proceeds and issued common shares for the exercise of 50,000 share purchase warrants at \$0.15 per share.
- (c) On March 9, 2022 the Company settled an outstanding debt of \$181,731 through the issuance of 2,307,692 shares.
- (d) The calculation of earnings per share for the years ended August 31, 2022 and 2021 are as follows:

	2022	2021
	\$	\$
Net income (loss)	(5,504,982)	(1,298,886)
Basic weighted average number of shares outstanding	30,549,641	29,490,638
Dilution of securities	-	-
Diluted weighted average number of shares outstanding	30,549,641	29,490,638
Earnings per share:		
Basic	(0.18)	(0.04)
Diluted	(0.18)	(0.04)

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Outstanding, August 31, 2020	9,463,967	0.26
Expired	(4,496,667)	0.30
Exercised	(50,000)	0.15
Outstanding, August 31, 2021	4,917,300	0.22
Expired	-	-
Outstanding, August 31, 2022	4,917,300	0.22

As at August 31, 2022, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
2,000,000	0.30	October 13, 2022
2,665,000	0.15	April 29, 2023
252,300	0.40	April 29, 2023
4,917,300	0.22	

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

11. Stock Options

The Company has adopted an incentive stock option plan in accordance with policies of TSX-V (the “Stock Option Plan”) whereby the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees, and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares exercisable for the period of up to ten years. In addition, the number of common shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed 2% of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee, and consultant and all other terms and conditions of the option, subject to the rules of the TSX-V.

The following table summarizes the continuity of the Company’s stock options:

	Number of options	Weighted average exercise price \$
Outstanding, August 31, 2020	1,416,665	0.45
Expired	(166,666)	0.70
Outstanding, August 31, 2021	1,249,999	0.23
Expired	(749,999)	0.23
Outstanding, August 31, 2022	500,000	0.24

During the years ended August 31, 2021 and 2022, there were no stock options granted.

As at August 31, 2022, the following stock options were outstanding:

Number of options outstanding	Exercise price \$	Expiry date
400,000	0.24	April 6, 2026
100,000	0.24	April 7, 2023
500,000	0.24	

The weighted average remaining life in years for the options granted is 3.58 years (2021: 1.87 years).

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

12. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at August 31, 2022 as follows:

	Fair value measurements using			Balance, August 31, 2022 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	187,988	–	–	187,988
Investments	1,781,776	645,949	1,700,001	4,127,726
	1,969,764	645,949	1,700,001	4,315,714

The fair values of other financial instruments, which include loans and other receivable, accounts payable and accrued liabilities, notes payable, and amount due to related parties approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk represents the risk associated with the inability of a counterparty to fulfill its financial obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Loans and other receivable is comprised of loans to third party companies. All investments are monitored closely by management and credit loss is limited to the carrying amount of these financial assets.

(c) Foreign Exchange and Interest Rate Risk

Foreign exchange risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the Canadian dollar: cash, loans and other receivable and prepaid expense.

August 31, 2022

	US Dollar
Cash	35,081
Loans and other receivable	200,000
Prepaid expense	19,225
Gross balance sheet exposure	254,306

August 31, 2021

	US Dollar
Cash	35,081
Loans and other receivable	200,000
Prepaid expense	19,225
Gross balance sheet exposure	254,306

A 10% strengthening of the Canadian Dollar against the US Dollar would have decreased net loss from its financial instruments presented by the amounts shown below:

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

12. Financial Instruments and Risks (continued)

(c) Foreign Exchange and Interest Rate Risk (continued)

	2022	2021
Gross balance sheet exposure	\$ 254,306	\$ 254,306
Foreign exchange	1.3111	1.2617
Face Value	333,421	320,858
10% of foreign exchange movement	\$ 33,421	\$ 32,086

Interest rate risk is the risk that fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company has loans and other receivable and notes payable that bear interest at fixed rates or are non-interest bearing. Changes in market interest rates will not have a material impact on the cash flows of the Company. Accordingly, management does not consider there to be significant interest rate risk.

(d) Market Risk

The Company's investments are primarily in the form of publicly traded shares and share purchase warrants of publicly traded companies, of which the market values may fluctuate.

(e) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. The Company invests in equity securities and other financial instruments. A portion of the Company's equity holdings are in private unlisted investments for which no active markets exist. Accordingly, timely disposition may not be possible and the realized price may be significantly different from the carrying value. The Company's policy is to maintain sufficient cash to meet normal operating requirements. It is also the Company's policy that the management monitors the Company's liquidity position and that the board of directors reviews it on an as needed basis.

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The investment objective of the Company is to achieve long-term capital growth from investments in public and private companies and the Company's objective in managing capital is to ensure it has the ability to continue to make new investments and to have sufficient cash for operations and to continue to operate as a going concern.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended August 31, 2022.

14. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of income (loss) and comprehensive income (loss) and comprehensive loss for the years ended August 31, 2022 and 2021:

ESG GLOBAL IMPACT CAPITAL INC.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)

14. Income Taxes (continued)

	2022	2021
	\$	\$
Net loss before tax	(5,504,982)	(1,298,886)
Statutory tax rate	27.0%	27.0%
Expected income tax (recovery)	(1,486,345)	(350,699)
Non-deductible items and other	-	1,666
Change in deferred tax assets not recognized	1,486,345	349,033
Total income tax expense (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences as at August 31, 2022 and 2021 are comprised of the following:

	2022	2021
	\$	\$
Non-capital losses carryforwards	9,747,432	4,226,663
Investments	6,387,999	6,387,999
Intangible asset	1,129	1,188
Share issuance cost	31,573	47,360
Total unrecognized deductible temporary differences	16,168,133	10,663,210

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$9,747,432 (2021: \$4,226,663) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	\$
2038	1,290,445
2039	2,936,218
2042	5,520,769
Total	9,747,432