
CHAR Technologies Ltd.
Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended
June 30, 2018 and 2017

(Expressed in Canadian Dollars)
(Unaudited)

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, 2018	As at September 30, 2017
ASSETS		
Current assets		
Cash	\$ 125,204	\$ 831,556
Term deposit (note 8)	850,000	-
Amounts receivable (note 4)	699,484	339,083
Work-in-progress	234,741	-
Investment tax credits recoverable	35,314	35,314
Prepaid expenses	54,652	12,513
Total current assets	1,999,395	1,218,466
Property and equipment (note 5)	1,373,405	739,126
Goodwill (note 3)	950,896	-
Intangible assets (note 6)	920,730	1,003,000
Total assets	\$ 5,244,426	\$ 2,960,592
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 7 and 14)	\$ 286,337	\$ 176,246
Line of credit (note 8)	280,000	-
Deferred grant income	1,162,644	631,451
Total liabilities	1,728,981	807,697
Shareholders' equity		
Share capital (note 9)	6,106,170	3,869,361
Reserves	286,178	270,590
Contributed surplus	53,744	53,744
Deficit	(2,930,647)	(2,040,800)
Total shareholders' equity	3,515,445	2,152,895
Total shareholders' equity and liabilities	\$ 5,244,426	\$ 2,960,592

Nature of business and going concern (note 1)

Commitment (note 15)

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,	
	2018	2017	2018	2017
Revenue				
Consulting revenue	\$ 318,467	\$ -	\$ 593,185	\$ -
Product sales	5,734	842	119,723	11,111
Total revenue	324,201	842	712,908	11,111
Cost of revenue	(58,107)	(281)	(194,153)	(281)
Gross profit	266,094	561	518,755	10,830
Expenses				
Research and development	-	103,872	45,089	131,459
Professional fees	52,298	14,137	180,082	55,424
Consulting fees	34,650	59,847	234,837	148,761
Office expenses	395,448	58,886	745,250	153,210
Regulatory and filing fees	1,804	3,974	28,869	19,434
Depreciation (note 5)	2,067	2,002	6,157	6,007
Amortization (note 6)	29,500	29,500	88,500	88,500
Share-based payments	-	3,383	110,738	105,112
	(249,673)	(275,040)	(920,767)	(697,077)
Grant income	-	5,894	30,920	34,217
Net loss and comprehensive loss for the period	\$ (249,673)	\$ (269,146)	\$ (889,847)	\$ (662,860)
Net loss per share - basic and diluted (note 10)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average common shares outstanding - basic and diluted (note 10)	44,029,695	33,522,276	40,313,260	33,522,276

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,	
	2018	2017
Operating activities		
Net loss for the period	\$ (889,847)	\$ (662,860)
Adjustments for:		
Share-based payments	110,738	105,112
Depreciation	6,157	6,007
Amortization	88,500	88,500
Net change in non-cash working capital:		
Amounts receivable	63,608	(57,890)
Work-in-progress	(105,259)	-
Prepaid expenses	(40,088)	(369,826)
Due from related parties	-	15,000
Accounts payable and accrued liabilities	(162,700)	(87,743)
Deferred grant income	531,193	-
Net cash used in operating activities	(397,698)	(963,700)
Investing activities		
Purchase of intangible assets	(6,230)	-
Purchase of property and equipment	(629,908)	-
Net cash for for the acquisition of Altech (note 3)	(124,556)	-
Net cash used in investing activities	(760,694)	-
Financing activities		
Proceeds from issuance of common shares, net of costs	1,169,040	-
Purchase of term deposit	(850,000)	-
Proceeds from line of credit	280,000	-
Repayment of loan payable	(147,000)	(2,813)
Net cash provided by (used in) financing activities	452,040	(2,813)
Net change in cash	(706,352)	(966,513)
Cash, beginning of period	831,556	1,283,813
Cash, end of period	\$ 125,204	\$ 317,300

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)

	<u>Share Capital</u>		<u>Reserves</u>		Contributed Surplus	Deficit	Total
	Number of Shares	Amount	Equity Settled Share-Based Payments Reserve				
Balance, September 30, 2016	33,522,276	\$ 3,869,361	\$ 150,857	\$ 53,744	\$ (567,398)	\$ 3,506,564	
Share-based payments	-	-	105,112	-	-	105,112	
Net loss for the period	-	-	-	-	(662,860)	(662,860)	
Balance, June 30, 2017	33,522,276	\$ 3,869,361	\$ 255,969	\$ 53,744	\$ (1,230,258)	\$ 2,948,816	
Balance, September 30, 2017	33,522,276	\$ 3,869,361	\$ 270,590	\$ 53,744	\$ (2,040,800)	\$ 2,152,895	
Common shares issued for cash	3,513,609	737,858	-	-	-	737,858	
Flow-through shares issued for cash	1,270,000	317,500	-	-	-	317,500	
Issue costs	-	(18,318)	-	-	-	(18,318)	
Shares issued for Acquisition	4,523,810	972,619	-	-	-	972,619	
Exercise of options	1,200,000	227,150	(95,150)	-	-	132,000	
Share-based payments	-	-	110,738	-	-	110,738	
Net loss for the period	-	-	-	-	(889,847)	(889,847)	
Balance, June 30, 2018	44,029,695	\$ 6,106,170	\$ 286,178	\$ 53,744	\$ (2,930,647)	\$ 3,515,445	

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 Six Months Ended March 31, 2018

(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 biocarbon development (activated charcoal "SulfaCHAR" and solid biofuel "CleanFyre") and custom equipment for industrial air and water treatment, and providing services in 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 12 Banigan Drive, Toronto, Ontario, M4H 1E9.

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

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$2,930,647 as at June 30, 2018 (September 30, 2017 - \$2,040,800). 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, 2018, the Company had current assets of \$1,999,395 (September 30, 2017 - \$1,218,466) to cover current liabilities of \$1,728,981 (September 30, 2017 - \$807,697).

On August 27, 2018, the Board of Directors approved these unaudited 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 27, 2018, 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, 2017, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending September 30, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(b) Basis of consolidation

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

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

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

Deferred taxes

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

Useful lives of property and equipment and intangibles

As described above, the Company reviews the estimated useful lives of property and equipment and intangibles with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the nine months ended June 30, 2018, the Company was not required to adjust the useful lives of any assets based on the factors described above.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

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

Business combinations

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

Investment tax credits recoverable

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

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

Share-based payments

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

(d) Future accounting pronouncements

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

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

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

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(d) Future accounting pronouncements (continued)

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

3. Acquisition of Altech

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

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

The amount recognized as goodwill is provisional and subject to change pending the completion of the valuation of the assets acquired and liabilities assumed. The Company will finalize the purchase price allocation as it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in retrospective adjustments to the provisional amounts recognized at the acquisition date. These changes could be significant. The Company will finalize these amounts no later than one year from the acquisition date.

The fair value of the consideration is as follows:

Issuance of 4,523,810 common shares ⁽¹⁾	\$ 972,619
Cash	150,000
Total consideration	1,122,619

The consideration has been allocated as follows:

Cash	\$ 25,444
Amounts receivable	424,009
Work-in-progress	129,482
Prepaid expenses	2,051
Property and equipment	10,528
Accounts payable and accrued liabilities	(272,791)
Loan payable	(147,000)
Goodwill	950,896
	\$ 1,122,619

⁽¹⁾ The value of the common shares was based on the fair value of the shares on January 1, 2018.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
 Three and Six Months Ended March 31, 2018
 (Expressed in Canadian Dollars)
 (Unaudited)

4. Amounts receivable

	As at June 30, 2018	As at September 30, 2017
HST receivable	\$ 296,247	\$ 164,545
Trade receivables	336,392	174,538
Amounts receivable	66,845	-
Total amounts receivable	\$ 699,484	\$ 339,083

5. Property and Equipment

Cost	Computer Equipment	Production Equipment	Asset Under Construction	Total
Balance, September 30, 2016	\$ 1,224	\$ 22,826	\$ -	\$ 24,050
Additions	-	-	730,838	730,838
Balance, September 30, 2017	1,224	22,826	730,838	754,888
Additions	1,280	-	628,628	629,908
Acquired from Altech	3,939	3,846	2,743	10,528
Balance, June 30, 2018	\$ 6,443	\$ 26,672	\$ 1,362,209	\$ 1,395,324
Accumulated depreciation	Computer Equipment	Production Equipment	Asset Under Construction	Total
Balance, September 30, 2016	\$ 130	\$ 7,623	\$ -	\$ 7,753
Depreciation	408	7,601	-	8,009
Balance, September 30, 2017	538	15,224	-	15,762
Depreciation	456	5,701	-	6,157
Balance, June 30, 2018	\$ 994	\$ 20,925	\$ -	\$ 21,919
Net book value	Computer Equipment	Production Equipment	Asset Under Construction	Total
Balance, September 30, 2017	\$ 686	\$ 7,602	\$ 730,838	\$ 739,126
Balance, June 30, 2018	\$ 5,449	\$ 5,747	\$ 1,362,209	\$ 1,373,405

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Six Months Ended March 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

6. Intangible assets

Cost	Purchased Technology	Patents	Total
Balance, September 30, 2016 and September 30, 2017	\$ 1,180,000	\$ -	\$ 1,180,000
Additions	-	6,230	6,230
Balance, June 30, 2018	\$ 1,180,000	\$ 6,230	\$ 1,186,230

Accumulated amortization	Purchased Technology	Patents	Total
Balance, September 30, 2016	\$ 59,000	\$ -	\$ 59,000
Amortization	118,000	-	118,000
Balance, September 30, 2017	177,000	-	177,000
Additions	88,500	-	88,500
Balance, June 30, 2018	\$ 265,500	\$ -	\$ 265,500

Net book value	Purchased Technology	Patents	Total
Balance, September 30, 2017	\$ 1,003,000	\$ 1,003,000	\$ 1,003,000
Balance, June 30, 2018	\$ 914,500	\$ 6,230	\$ 920,730

7. Accounts payable and accrued liabilities

	As at June 30, 2018	As at September 30, 2017
Trade accounts payable	\$ 247,357	\$ 116,889
Accrued liabilities	38,980	59,357
Total accounts payable and accrued liabilities	\$ 286,337	\$ 176,246

8. Line of credit

In June 2018, the Company secured a credit facility of up to \$850,000 with interest at the prime rate to be utilized for its day-to-day working capital needs. This facility is secured by a \$850,000 term deposit. As at June 30, 2018, the Company utilized \$280,000 of this credit facility.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Six Months Ended March 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

9. 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, 2016 and June 30, 2017	33,522,276	\$ 3,869,361
Balance, September 30, 2017	33,522,276	\$ 3,869,361
Common shares issued for cash (i)	3,513,609	737,858
Flow-through shares issued for cash (i)	1,270,000	317,500
Issue costs	-	(18,318)
Shares issued for acquisition of Altech (note 3)	4,523,810	972,619
Shares issued on exercise of stock options	1,200,000	132,000
Fair value of options exercised	-	95,150
Balance, June 30, 2018	44,029,695	\$ 6,106,170

(i) On December 20, 2017, CHAR closed a private placement for 3,513,609 non flow-through shares at a price of \$0.21 per share for gross proceeds of \$737,858 and 1,270,000 flow-through shares at a price of \$0.25 per flow-through share for gross proceeds of \$317,500.

(c) Escrowed shares

CPC Escrow Agreement

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

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

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

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

As at June 30, 2018, there were 1,807,501 common shares held in escrow pursuant to the requirements of the Exchange.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Six Months Ended March 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

9. Share capital (continued)

(c) Escrowed shares (continued)

Qualifying Transaction Escrow Agreement

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

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

As at June 30, 2018, there were 4,806,275 common shares held in escrow pursuant to the requirements of the Exchange.

Shares Subject to Resale Restrictions ("Value Escrow")

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

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

As at June 30, 2018, there were 1,266,668 common shares held in escrow pursuant to the requirements of the Exchange.

10. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended June 30, 2018 was based on the loss attributable to common shareholders of \$249,673 and \$889,847, respectively (three and nine months ended June 30, 2017 - \$269,146 and \$662,860, respectively) and the weighted average number of common shares outstanding of 44,029,695 and 40,313,260, respectively (three and nine months ended June 30, 2017 - 33,522,276 and 33,522,276, respectively). Stock options have an anti-dilutive effect on the diluted loss per share disclosed in the statements of loss and comprehensive loss and therefore were not included in the diluted loss per share calculation.

CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
 Three and Six Months Ended March 31, 2018
 (Expressed in Canadian Dollars)
 (Unaudited)

11. 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, 2016	2,111,826	0.13
Granted (i)	720,000	0.18
Cancelled	(250,000)	0.10
Balance, June 30, 2017	2,581,826	0.15
Balance, September 30, 2017	2,581,826	0.15
Granted (ii)	650,000	0.22
Exercised	(1,200,000)	0.11
Expired	(1,826)	0.22
Balance, June 30, 2018	2,030,000	0.19

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

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

(ii) On January 18, 2018, the Company granted 650,000 stock options to directors, officers and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.22 per share. These stock options vested immediately.

A value of \$107,250 was estimated for the 650,000 stock options on the date of grant with the following assumptions and inputs: share price of \$0.22; exercise price of \$0.22; expected dividend yield of 0%; expected volatility of 100% which is based on comparable companies; risk-free interest rate of 2.03%; and an expected average life of five years.

The following table reflects the actual stock options issued and outstanding as of June 30, 2018:

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	0.1725	3.16	660,000	560,000	100,000
January 27, 2022	0.18	3.58	720,000	500,000	220,000
January 18, 2023	0.22	4.56	650,000	650,000	-
	0.19	3.76	2,030,000	1,710,000	320,000

CHAR Technologies Ltd.

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(Expressed in Canadian Dollars)

(Unaudited)

12. Capital management

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

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

13. Financial instruments and risk management

Risk management

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

Market risk

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

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company's strategy is to satisfy its liquidity needs using cash on hand, and cash flow provided by financing activities. As at June 30, 2018, the Company had a cash of \$125,204 to settle current liabilities of \$1,728,981. The Company's accounts payable and accrued liabilities and deferred grant income are due within one year from the date of the statement of financial position.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the Company's cash, amounts receivable and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature.

CHAR Technologies Ltd.

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14. Related party balances and transactions

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Marrelli Support Services Inc. ("MSSI") (i)	\$ 6,000	\$ 6,000	\$ 18,000	\$ 18,000
DSA Corporate Services ("DSA") (ii)	\$ 2,546	\$ 2,498	\$ 8,053	\$ 7,467
1456087 Ontario Inc. ("1456087") (iii)	\$ 15,000	\$ 15,000	\$ 55,000	\$ 45,000
Merko-Nicholson Inc. ("Merko-Nicholson") (iv)	\$ 17,500	\$ 15,000	\$ 52,500	\$ 45,000
Lyle Clarke & Associates ("L. Clarke & Assoc.") (v)	\$ nil	\$ nil	\$ 5,000	\$ nil

(i) The Chief Financial Officer of the Company is a senior employee of MSSI. As at June 30, 2018, MSSI was owed \$2,311 (September 30, 2017 - \$nil). These amounts are included in accounts payable and accrued liabilities.

(ii) DSA is affiliated with MSSI through a common officer. DSA provides corporate secretarial services. As at June 30, 2018, DSA was owed \$2,020 (September 30, 2017 - \$3,117). These amounts are included in accounts payable and accrued liabilities.

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

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

(v) L. Clarke & Assoc. is a company controlled by Lyle Clarke, a director of the Company. L. Clarke & Assoc. provides consulting services to the Company.

Remuneration of key management of the Company was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Salaries	\$ 88,316	\$ 21,875	\$ 206,632	\$ 59,375
Share based payments	\$ nil	\$ 3,383	\$ 104,340	\$ 101,092

Directors of the Company purchased 859,763 common shares of the private placement that closed on December 20, 2017.

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Notes to the Condensed Interim Consolidated Financial Statements

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15. Commitment

Flow-through commitment

The Company is obligated to spend \$317,500 by December 31, 2018. As at June 30, 2018, \$50,500 remains to be spent as part of the flow-through funding agreement for shares issued in December 2017. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's renewable energy and energy efficiency projects to flow-through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments.