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**CHAR Technologies Ltd.**  
**Condensed Interim Consolidated Financial Statements**  
**Three and Six Months Ended March 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**

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**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 March 31, 2021	As at September 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 5,896,219	\$ 129,127
Amounts receivable (note 3)	389,848	352,434
Work-in-progress	131,915	101,362
Inventory (note 4)	19,460	13,272
Prepaid expenses	59,120	62,172
<b>Total current assets</b>	<b>6,496,562</b>	<b>658,367</b>
Property and equipment (note 5)	937,696	1,035,600
Right-of-use assets (note 6)	96,295	123,918
Goodwill	917,306	917,306
Intangible assets (note 7)	636,057	672,924
<b>Total assets</b>	<b>\$ 9,083,916</b>	<b>\$ 3,408,115</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities (notes 8 and 15)	\$ 359,560	\$ 303,157
Lease liabilities (note 10)	19,411	38,099
Loan payable (note 9)	1,809	3,489
Deferred income tax liability	5,114	5,114
Deferred revenue	108,903	84,153
Deferred grant income (note 5)	220,407	440,814
Flow-through premium liability	-	-
<b>Total current liabilities</b>	<b>715,204</b>	<b>874,826</b>
Lease liabilities (note 10)	82,552	82,552
Loan payable (note 9)	201,263	177,369
Deferred grant income (note 5)	905,243	905,243
Asset retirement obligation (note 14)	60,414	60,074
<b>Total liabilities</b>	<b>1,964,676</b>	<b>2,100,064</b>
<b>Shareholders' equity</b>		
Share capital (note 11)	11,407,085	6,290,039
Share-based payment reserves (note 13)	890,239	511,096
Contributed surplus	1,069,129	53,744
Deficit	(6,247,213)	(5,546,828)
<b>Total shareholders' equity</b>	<b>7,119,240</b>	<b>1,308,051</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 9,083,916</b>	<b>\$ 3,408,115</b>

Nature of business and going concern (note 1)

Subsequent event (note 18)

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

## CHAR Technologies Ltd.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended March 31,		Six Months Ended March 31,	
	2021	2020	2021	2020
<b>Revenue</b>				
Engineering services revenue	\$ 197,051	\$ 280,839	\$393,555	\$ 498,572
Technology revenue and product sales	126,393	253,204	249,858	631,505
Total revenue	\$ 323,444	\$ 534,343	\$643,414	\$ 1,130,077
Cost of revenue	(160,585)	(314,965)	(308,579)	(611,046)
<b>Gross profit</b>	<b>162,859</b>	219,378	<b>334,835</b>	519,031
<b>Expenses</b>				
Research and development	12,000	13,800	25,000	27,861
Professional fees	127,251	128,224	210,001	213,809
Consulting fees	4,460	29,193	6,630	29,193
Office expenses	295,810	345,005	530,421	710,201
Regulatory and filing fees	23,809	-	37,091	-
Depreciation (notes 5 and 6)	96,725	105,619	217,690	209,381
Amortization (note 7)	31,921	31,756	63,678	63,512
Share-based payments (note 13)	187,000	102,600	187,000	114,890
Reversal of flow-through liability (note 11)	-	-	-	(10,311)
	(778,976)	(756,197)	(1,277,511)	(1,358,536)
Loss from operations	(616,117)	(536,819)	(942,676)	(839,504)
Grant income (note 5)	110,204	210,506	242,291	353,359
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (505,913)</b>	\$ (326,313)	<b>\$ (700,385)</b>	\$ (486,145)
<b>Net loss per share - basic and diluted</b> (note 12)	(0.01)	(0.01)	(0.01)	(0.01)
<b>Weighted average common shares outstanding – basic and diluted</b> (note 12)	<b>70,558,851</b>	45,137,314	<b>70,558,851</b>	45,137,314

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

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## CHAR Technologies Ltd.

### Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

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	Six Months Ended March 31,	
	2021	2020
<b>Operating activities</b>		
Net loss for the period	\$ (700,385)	\$ (486,015)
Adjustments for:		
Share-based payments	379,143	114,890
Depreciation	217,690	209,381
Amortization	63,677	63,512
Deferred grant income	(220,407)	(253,358)
Reversal of flow-through liability	-	(10,311)
Net change in non-cash working capital:		
Amounts receivable	(37,414)	144,066
Prepaid expenses	3,052	95,047
Work-in-progress	(30,553)	130,366
Inventory	(6,188)	(245)
Deferred revenue	24,750	(127,877)
Accounts payable and accrued liabilities	56,403	139,368
<b>Net cash provided by (used in) operating activities</b>	<b>(250,232)</b>	<b>18,824</b>
<b>Investing activities</b>		
Purchase of property and equipment	(119,786)	(44,785)
Purchase of intangible assets	(26,810)	-
Lease payments	(18,688)	110,228
Purchase of right of use assets	27,623	(107,964)
<b>Net cash (used in) investing activities</b>	<b>(137,661)</b>	<b>42,521</b>
<b>Financing activities</b>		
Asset retirement obligation	340	338
Proceeds from loans payable	22,214	14,347
Repayment of loans payable	-	-
Proceeds from issuance of common shares, net of costs	5,117,046	-
Proceeds from issuance of unit warrants	1,015,385	-
<b>Net cash provided by financing activities</b>	<b>6,154,985</b>	<b>14,685</b>
<b>Net change in cash</b>	<b>5,767,092</b>	<b>(9,012)</b>
<b>Cash, beginning of period</b>	<b>129,127</b>	<b>225,396</b>
<b>Cash, end of period</b>	<b>\$ 5,896,219</b>	<b>\$ 216,384</b>

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

## CHAR Technologies Ltd.

### Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Share Capital		Equity Settled Share-Based Payments Reserve	Contributed Surplus	Deficit	Total
	Number of Shares	Amount				
<b>Balance, September 30, 2019</b>	<b>45,137,314</b>	<b>\$ 6,290,039</b>	<b>\$ 412,263</b>	<b>\$ 53,744</b>	<b>\$ (4,843,026)</b>	<b>\$ 1,913,020</b>
Share-based payments (note 13)	-	-	\$ 114,890	-	-	\$ 114,890
Net and comprehensive loss for the period	-	-	-	-	\$ (486,145)	\$ (486,145)
<b>Balance, March 31, 2020</b>	<b>45,137,314</b>	<b>\$ 6,290,039</b>	<b>\$ 527,153</b>	<b>\$ 53,744</b>	<b>\$ (5,329,171)</b>	<b>\$ 1,541,765</b>
<b>Balance, September 30, 2020</b>	<b>45,137,314</b>	<b>\$ 6,290,039</b>	<b>\$ 511,096</b>	<b>\$ 53,744</b>	<b>\$ (5,546,828)</b>	<b>\$ 1,308,051</b>
Common shares/warrants issued for cash (note 11)	25,411,537	\$ 5,679,614	-	\$ 1,015,385	-	\$ 6,694,999
Share issuance costs, net of accretion for the period	-	\$ (564,318)	-	-	-	\$ (564,318)
Share-based payments (note 13)	-	-	\$ 187,000	-	-	\$ 187,000
Broker Warrants (note 13)	-	-	\$ 192,143	-	-	\$ 192,143
Common shares exercised	10,000	\$ 1,750	-	-	-	\$ 1,750
Net and comprehensive loss for the period	-	-	-	-	\$ (700,385)	\$ (706,831)
<b>Balance, March 31, 2021</b>	<b>70,558,851</b>	<b>\$ 11,407,085</b>	<b>\$ 890,239</b>	<b>\$ 1,069,129</b>	<b>\$ (6,247,213)</b>	<b>\$ 7,112,794</b>

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

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# CHAR Technologies Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements Three and Six Months Ended March 31, 2021 (Expressed in Canadian Dollars) (Unaudited)

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### 1. Nature of business and going concern

CHAR Technologies Ltd. (the "Company" or "CHAR") is a cleantech development and services company, specializing in high temperature pyrolysis, converting woody materials and organic waste into renewable gases (renewable natural gas and green hydrogen) and biocarbon (activated charcoal "SulfaCHAR" and solid biofuel "CleanFyre"). Additional services include custom equipment for industrial water treatment, and providing services in environmental compliance, environmental management, site investigation and remediation, engineering and resource efficiency. The Company is listed on the TSX Venture Exchange (the "Exchange") trading under the symbol YES.V. The Company's head office address is 789 Don Mills Road, Suite 403, Toronto, Ontario, M3C 1T5.

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

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$6,247,213 as at March 31, 2021 (September 30, 2020 - \$5,546,828). The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at March 31, 2021, the Company had current assets of \$6,496,562 (September 30, 2020 - \$658,367) to cover current liabilities of \$715,204 (September 30, 2020 - \$874,826).

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

On May 27, 2021, the Board of Directors approved these condensed interim consolidated financial statements.

### 2. Significant accounting policies

#### (a) Statement of compliance

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of May 27, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended September 30, 2020, except as noted below.

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# CHAR Technologies Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements Three and Six Months Ended March 31, 2021 (Expressed in Canadian Dollars) (Unaudited)

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### 2. Significant accounting policies (continued)

Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending September 30, 2021 could result in restatement of these unaudited condensed interim consolidated financial statements.

#### (b) Basis of consolidation

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

#### (c) Change in accounting policies

##### IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

On October 1, 2019, the Company adopted IFRS 16 and recognized right-of-use assets of \$137,159 and lease liabilities of \$89,160 (Office space and land) and right-of-use assets of \$65,104 and lease liabilities of \$65,104 (Vehicles) (notes 6 and 10).

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

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## CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended March 31, 2021  
(Expressed in Canadian Dollars) (Unaudited)

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### 2. Significant accounting policies (continued)

(c) Change in accounting policies (continued)

IFRS 16 - Leases (continued)

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

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

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

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

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

Going concern

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

Deferred taxes

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

Useful lives of property and equipment and intangibles

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



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## CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended March 31, 2021  
(Expressed in Canadian Dollars) (Unaudited)

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### 2. Significant accounting policies (continued)

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

#### Business combinations

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

#### Share-based payments

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

### 3. Amounts receivable

	March 31, 2021	September 30, 2020
Trade receivables	\$ 206,024	\$ 214,312
CEWS receivable (note 17)	144,540	63,122
CERS receivable (note 17)	39,284	-
Government grant receivable (note 5)	-	75,000
<b>Total amounts receivable</b>	<b>\$ 389,848</b>	<b>\$ 352,434</b>

Included in Trade receivables are loans (totalling \$45,809) to officers and employees of the Company, to be paid on demand at the Bank of Canada's prime rate of 2.45%.

### 4. Inventory

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

## CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended March 31, 2021  
(Expressed in Canadian Dollars) (Unaudited)

### 5. Property and Equipment

Cost	Computer Equipment	Production Equipment	Asset Retirement Costs	Building and Kiln	Leasehold Improvements	Total
Balance, September 30, 2019	\$ 20,968	\$ 41,852	\$ 56,430	\$ 1,633,124	-	\$ 1,752,374
Additions	5,995	16,769	-	-	20,215	42,979
Balance, September 30, 2020	26,963	58,621	56,430	1,633,124	20,215	1,795,353
Additions	-	92,168	-	-	-	92,168
Balance, December 31, 2020	\$ 26,963	\$ 150,789	\$ 56,430	\$ 1,633,124	\$ 20,215	\$ 1,887,521
Balance March 31, 2021	\$ 26,963	\$ 150,789	\$ 56,430	\$ 1,633,124	\$ 20,215	\$ 1,887,521

Accumulated depreciation	Computer Equipment	Production Equipment	Asset Retirement Costs	Building and Kiln	Leasehold Improvements	Total
Balance, September 30, 2019	\$ 7,392	\$ 41,852	\$ 20,386	\$ 326,626	-	\$ 396,256
Additions	13,193	3,354	18,810	326,625	1,516	363,498
Balance, September 30, 2020	20,585	45,206	39,196	653,251	1,516	759,753
Additions	732	2,180	17,234	81,656	1,516	103,319
Balance, December 31, 2020	\$ 21,317	\$ 47,386	\$ 56,430	\$ 734,907	\$ 3,032	\$ 863,072
Additions	\$ 732	\$ 2,851	-	\$ 81,656	\$ 1,516	\$ 86,755
Balance March 31, 2021	\$ 22,049	\$ 50,237	\$ 56,430	\$ 816,563	\$ 4,548	\$ 949,827

Net book value	Computer Equipment	Production Equipment	Asset Retirement Costs	Building and Kiln	Leasehold Improvements	Total
Balance, September 30, 2020	\$ 6,380	\$ 13,415	\$ 17,234	\$ 979,873	18,699	\$ 1,035,600
Balance, December 31, 2020	\$ 5,646	\$ 103,403	-	\$ 898,217	\$ 17,183	\$ 1,024,450
Balance March 31, 2021	\$ 4,914	\$ 100,552	-	\$ 816,561	\$ 15,667	\$ 937,694

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

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

The milestones are as follows:

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

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## CHAR Technologies Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements Three and Six Months Ended March 31, 2021 (Expressed in Canadian Dollars) (Unaudited)

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#### 5. Property and Equipment (continued)

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

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

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

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

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

The milestones are as follows:

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

Milestone 2: 20 tonne field trial of Cleanfyre. Funding from LCIF \$371,835. This milestone has not been completed.

In addition, LCIF will grant the Company yearly disbursement of \$53,119 on annual reporting metrics. These will be received in March 2021, March 2022 and March 2023.

The grants received from SDTC, OCE and LCIF have been deferred as deferred grant income until the completion of the construction. The grant income will be recognized on systematic basis consistent with the amortization of the related assets.

	March 31, 2021	September 30, 2020
Grant received from SDTC	\$ 768,750	\$ 693,750
Grant received from OCE	1,000,000	1,000,000
Holdback (note 3)	-	75,000
Grant received from LCIF	903,027	903,027
Recognized as grant income	(1,546,127)	(1,325,720)
<b>Total deferred grant income</b>	<b>1,125,650</b>	<b>1,346,057</b>
Less current portion	(220,407)	(440,814)
Long-term portion	<b>\$ 905,243</b>	<b>\$ 905,243</b>

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

## CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended March 31, 2021  
(Expressed in Canadian Dollars) (Unaudited)

### 5. Property and Equipment (continued)

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

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

The Company recognized during the quarter ended March 31, 2021, \$110,203 grant income for the grant received from projects above. In addition, the Company recognized \$21,884 grant income during the quarter ended December 31, 2020 related to the discount of the CEBA loans received from the Government of Canada (note 9).

### 6. Right-of-use Assets

<b>Cost</b>	<b>Vehicles</b>		<b>Office space and land</b>		<b>Total</b>
<b>Balance – September 30, 2020</b>	\$	<b>65,104</b>	\$	<b>137,159</b>	\$ <b>202,263</b>
Additions		-		-	-
<b>Balance – December 31, 2020</b>	\$	<b>65,104</b>	\$	<b>137,159</b>	\$ <b>202,263</b>
<b>Balance March 31, 2021</b>	\$	<b>65,104</b>	\$	<b>137,159</b>	\$ <b>202,263</b>

  

<b>Accumulated amortization</b>	<b>Vehicles</b>		<b>Office space and land</b>		<b>Total</b>
<b>Balance – September 30, 2020</b>	\$	<b>17,787</b>	\$	<b>60,558</b>	\$ <b>78,345</b>
Amortization		4,205		13,447	17,652
<b>Balance – December 31, 2020</b>	\$	<b>21,992</b>	\$	<b>74,005</b>	\$ <b>95,997</b>
Amortization		4,399		5,573	9,972
<b>Balance – March 31, 2021</b>	\$	<b>26,391</b>	\$	<b>79,578</b>	\$ <b>105,969</b>

  

<b>Net book value</b>	<b>Vehicles</b>		<b>Office space and land</b>		<b>Total</b>
<b>Balance, September 30, 2020</b>	\$	<b>47,317</b>	\$	<b>76,601</b>	\$ <b>123,918</b>
<b>Balance, December 31, 2020</b>	\$	<b>43,112</b>	\$	<b>63,154</b>	\$ <b>106,266</b>
<b>Balance, March 31, 2021</b>	\$	<b>38,713</b>	\$	<b>57,581</b>	\$ <b>96,294</b>

## CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 7. Intangible assets

Cost	Purchased Technology	Patents	Customer Relationship	Property Design - IP	Total
<b>Balance, September 30, 2020 and December 31, 2020</b>	<b>\$ 1,180,000</b>	<b>\$ 6,230</b>	<b>\$ 42,000</b>	<b>\$ -</b>	<b>\$ 1,228,230</b>
Additions	-	6,612	-	20,198	26,810
<b>Balance March 31, 2021</b>	<b>\$ 1,180,000</b>	<b>\$ 12,842</b>	<b>\$ 42,000</b>	<b>\$ 20,198</b>	<b>\$ 1,255,040</b>

Accumulated amortization	Purchased Technology	Patents	Customer Relationship	Property Design - IP	Total
<b>Balance, September 30, 2019</b>	<b>\$ 413,000</b>	<b>\$ 623</b>	<b>\$ 14,660</b>	<b>\$ -</b>	<b>\$ 428,283</b>
Amortization	118,000	623	8,400	-	127,023
<b>Balance, September 30, 2020</b>	<b>\$ 531,000</b>	<b>\$ 1,246</b>	<b>\$ 23,060</b>	<b>\$ -</b>	<b>\$ 555,306</b>
Amortization	29,500	156	2,100	-	31,756
<b>Balance, December 31, 2020</b>	<b>\$ 560,500</b>	<b>\$ 1,402</b>	<b>\$ 25,160</b>	<b>\$ -</b>	<b>\$ 587,062</b>
Amortization	29,500	321	2,100	-	31,921
<b>Balance, March 31, 2021</b>	<b>\$ 590,000</b>	<b>\$ 1,723</b>	<b>\$ 27,260</b>	<b>\$ -</b>	<b>\$ 618,983</b>

Net book value	Purchased Technology	Patents	Customer Relationship	Property Design - IP	Total
<b>Balance, September 30, 2020</b>	<b>\$ 649,000</b>	<b>\$ 4,984</b>	<b>\$ 18,940</b>	<b>\$ -</b>	<b>\$ 672,924</b>
<b>Balance, December 31, 2020</b>	<b>\$ 619,500</b>	<b>\$ 4,828</b>	<b>\$ 16,840</b>	<b>\$ -</b>	<b>\$ 641,168</b>
<b>Balance, March 31, 2021</b>	<b>\$ 590,000</b>	<b>\$ 11,119</b>	<b>\$ 14,740</b>	<b>\$ 20,198</b>	<b>\$ 636,057</b>

### 8. Accounts payable and accrued liabilities

	March 31, 2021	September 30, 2020
Trade accounts payable (note 15)	\$ 190,175	\$ 240,164
Accrued liabilities	169,385	62,993
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 359,560</b>	<b>\$ 303,157</b>

## CHAR Technologies Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements Three and Six Months Ended March 31, 2021 (Expressed in Canadian Dollars) (Unaudited)

#### 9. Loan Payable

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

	<b>March 31, 2021</b>
<b>Balance, September 30, 2020</b>	<b>\$ 12,667</b>
Addition	-
Repayments	(1,680)
<b>Balance, March 31, 2021</b>	<b>\$ 10,987</b>
Current portion	\$ 1,809
Non-current portion	\$ 9,178

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

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

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

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

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

	<b>March 31, 2021</b>
<b>Balance, September 30, 2020</b>	<b>\$ 168,191</b>
Addition	40,000
Recognized as grant income (note 5)	(21,884)
Accretion	5,777
<b>Balance, March 31, 2021</b>	<b>\$ 192,084</b>
Current portion	\$ -
Non-current portion	\$ 192,084

#### 10. Lease Liabilities

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

## CHAR Technologies Ltd.

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### 10. Lease Liabilities (continued)

Office space and land and an interest rate of 6% for Vehicles.

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

	<b>Office space and land</b>
<b>Balance – September 30, 2020</b>	<b>\$ 71,745</b>
Additions	-
Accretion expense	3,377
Lease payments	(13,568)
<b>Balance – March 31, 2021</b>	<b>\$ 61,554</b>
Current portion	\$ 10,711
Non-current portion	\$ 50,843

	<b>Vehicles</b>
<b>Balance – September 30, 2020</b>	<b>\$ 48,906</b>
Additions	-
Accretion expense	1,279
Lease payments	(9,776)
<b>Balance – March 31, 2021</b>	<b>\$ 40,409</b>
Current portion	\$ 8,700
Non-current portion	\$ 31,709

### 11. Share capital

#### (a) Authorized share capital

Unlimited number of common shares, with no par value.

#### (b) Issued common shares

	<b>Number of Shares</b>	<b>Amount</b>
<b>Balance, September 30, 2019</b>	<b>45,137,314</b>	<b>\$ 6,290,039</b>
<b>Balance, September 30, 2020</b>	<b>45,137,314</b>	<b>\$ 6,290,039</b>
Common shares issued for cash (i)	6,950,000	\$ 695,000
<b>Balance, December 31, 2020</b>	<b>52,087,314</b>	<b>\$ 6,985,039</b>
Common shares issued for cash (ii)	18,461,537	\$ 6,000,000
Unit Warrants (ii)		(1,015,385)
Share issuance costs, net of accretion for the period		(564,318)
Share issued on exercise of stock options (note 13)	10,000	1,750
<b>Balance, March 31, 2021</b>	<b>70,558,851</b>	<b>\$ 11,407,085</b>

# CHAR Technologies Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements Three and Six Months Ended March 31, 2021 (Expressed in Canadian Dollars) (Unaudited)

### 11. Share capital (continued)

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

Previously, on December 31, 2018, the Company closed 1,147,619 flow-through shares at a price of \$0.21 per share for gross proceeds of \$241,000. The net proceeds from the non-brokered private placement were used for continued technology development.

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

### 12. Net loss per common share

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

	Three Months Ended March 31		Six Months Ended March 31,	
	2021	2020	2021	2020
<b>Numerator:</b>				
Net loss	\$ (512,360)	\$ (326,313)	\$ (706,831)	\$ (486,145)
<b>Denominator</b>				
Weighted average number of common shares				
- basic	70,558,851	45,137,314	70,558,851	45,137,314
- diluted	86,051,712	48,825,439	86,051,712	48,825,439
<b>Net loss per share - basic and diluted</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

### 13. Stock options

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

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



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## **CHAR Technologies Ltd.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**Three and Six Months Ended March 31, 2021**

**(Expressed in Canadian Dollars) (Unaudited)**

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#### **13. Stock options (continued)**

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

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

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

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

(v) On January 29, 2021, the Company granted 1,333,000 stock options to directors, officers, employees, and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.49 per share. These stock options vest as follows: 860,000 stock options vested immediately or by March 31, 2021, and 473,000 stock options vesting based on the achievement of specific performance and vesting criteria. Management considered that the achievement of the milestones is very probable and therefore the full stock-based compensation for these stock options were recognized.

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

In the previous fiscal year on February 7th, 2019, the Company granted 961,000 stock options to directors, officers, employees, and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.20 per share. These stock options vest as follows: 505,000 stock options vested when granted and 426,000 stock options were to vest based on the achievement of specific performance criteria.

Furthermore, on August 16, 2019, the Company granted 78,125 stock options to an officer of the Company. The stock options are exercisable for a period of five years at a price of \$0.16 per share. These stock options vested at the time of the grant.

## CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended March 31, 2021  
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### 13. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of March 31, 2021:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
August 25, 2021	0.17	0.40	650,000	650,000	-
January 27, 2022	0.18	0.80	715,000	495,000	220,000
January 18, 2023	0.22	1.80	620,000	620,000	-
January 28, 2024	0.20	2.80	573,000	573,000	-
August 16, 2024	0.16	3.40	78,125	78,125	-
January 30, 2025	0.115	3.80	918,000	813,000	105,000
February 27, 2025	0.150	3.90	100,000	100,000	-
April 1, 2025	0.075	4.00	160,000	120,000	40,000
July 1, 2025	0.105	4.30	50,000	50,000	-
January 29, 2026	0.49	4.90	1,333,000	860,000	473,000
March 31, 2026	0.72	5.00	150,000	150,000	-
	0.24	3.20	5,347,125	4,509,125	838,000

### Share-based payment reserve

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

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

### Contributed surplus

The contributed surplus reserve records the corresponding amount share-based compensation for expired options and warrants.

The contributed surplus also reflects the value of the Unit Warrants, in the amount of \$1,015,385, that the Company has issued during the quarter ended March 31, 2021.

### 14. Asset retirement obligation

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

		March 31, 2021	September 30, 2020
Balance, beginning	\$	60,074	\$ 58,723
Accretion		340	1,351
<b>Balance, ending</b>	<b>\$</b>	<b>60,414</b>	<b>\$ 60,074</b>

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

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

# CHAR Technologies Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements Three and Six Months Ended March 31, 2021 (Expressed in Canadian Dollars) (Unaudited)

### 15. Related party balances and transactions

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

	Six Months Ended March 31,	
	2021	2020
Marrelli Support Services Inc. ("MSSI") (i)	\$ -	\$ 14,270
DSA Corporate Services ("DSA") (ii)	\$ 6,102	\$ 4,560
1456087 Ontario Inc. ("1456087") (iii)	\$ 50,000	\$ 30,000
Numbers & Co. (iv)	\$ -	\$ 30,000
Mark Korol, CFO (v)	\$ 93,000	\$ -
Eric Beutel (vi)	\$ 5,000	\$ -

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

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

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

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

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

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

Remuneration of key management of the Company was as follows:

	Six Months Ended March 31,	
	2021	2020
Salaries	\$ 132,635	\$ 127,662

### 16. Commitment

The Company has no further obligations with respect to flow through shares. As at December 30, 2020, \$0 remains to be spent as part of the flow-through funding agreement for shares issued in December 2018. The Company had indemnified the subscribers for any related tax amounts that could have become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

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## CHAR Technologies Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements Three and Six Months Ended March 31, 2021 (Expressed in Canadian Dollars) (Unaudited)

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#### 17. Subsidies received

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

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

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

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

The table below is a summary of the Wage Subsidy as of March 31, 2021:

	CEWS	TWS
First Period	\$ 31,578	\$ 2,514
Second Period	30,150	4,338
Third Period	33,249	2,611
Fourth Period	37,476	288
Fifth Period	37,877	-
Sixth Period	37,877	-
Seventh Period	25,245	-
Eighth Period	22,459	-
Ninth Period	22,292	-
Tenth Period	35,489	-
Eleventh Period	39,125	-
Twelfth Period	38,415	-
Thirteenth Period	31,511	-
<b>Total Wage Subsidy</b>	<b>\$ 422,743</b>	<b>\$ 9,751</b>
Wage Subsidy received as of March 31, 2021	278,203	9,751
<b>Wage Subsidy receivable</b> (note 3)	<b>\$ 144,540</b>	-

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

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

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## CHAR Technologies Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

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#### 17. Subsidies received (continued)

The table below is a summary of the Rent Subsidy as of March 31, 2021:

	<b>CERS</b>
First Period	\$ 4,644
Second Period	4,737
Third Period	7,435
Fourth Period	9,694
Fifth Period	12,017
Sixth Period	10,138
<b>Total Rent Subsidy</b>	<b>\$ 48,665</b>
Rent Subsidy received as of March 31, 2021	9,381
<b>Rent Subsidy receivable (note 3)</b>	<b>\$ 39,284</b>

#### 18. Subsequent Event

On April 5, 2021, the Company granted 95,000 stock options to directors, officers, employees and consultants of the Company. The stock options may be exercised for a period of five years at a strike price of \$0.72 per share.