

# **Aether Catalyst Solutions, Inc.**

## **Condensed Interim Financial Statements**

**For the nine months ended September 30, 2019 and 2018**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### **Corporate Head Office**

*Unit 104, 8337 Eastlake Drive  
Burnaby, BC  
V5A 4W2*

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Aether Catalyst Solutions, Inc.**  
**Condensed Interim Statements of Financial Position**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 167,198	\$ 334,942
Prepaid	16,873	15,890
GST receivable	23,617	10,236
Other receivable (Note 5)	1,347	-
	209,035	361,068
<b>Equipment</b> (Note 3)	41,456	28,480
	\$ 250,491	\$ 389,548
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 118,763	\$ 108,055
Loans payable (Note 5)	30,057	30,010
	148,820	138,065
<b>Shareholders' equity</b>		
Share capital (Note 6)	1,452,413	1,452,413
Subscriptions receivable (Note 6)	-	(450)
Deficit	(1,350,742)	(1,200,480)
	101,671	251,483
	\$ 250,491	\$ 389,548

**Nature and continuance of operations** (Note 1)

**Commitment** (Note 10)

**Subsequent events** (Note 11)

**APPROVED ON BEHALF OF THE DIRECTORS:**

<u>"Paul Woodward"</u>	Director	<u>"Jason Moreau"</u>	Director
Paul Woodward		Jason Moreau	

These accompanying notes form an integral part of these condensed interim financial statements.

**Aether Catalyst Solutions, Inc.**  
**Condensed Interim Statements of Comprehensive Income (Loss)**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	Three month period ended, September 30,		Nine month period ended, September 30,	
	2019	2018	2019	2018
<b>Expenses</b>				
Amortization (Note 3)	\$ 2,771	\$ -	\$ 7,882	\$ -
Consulting fees (Note 7)	14,260	13,945	39,180	32,885
Interest	-	-	-	7,895
Office, supplies and miscellaneous	21,077	18,732	57,354	35,473
Filing and issuer fees	2,600	-	35,448	-
Professional fees	27,560	339	57,318	9,256
Rent	8,384	15,097	20,373	42,723
Travel	-	-	-	1,407
Wages and benefits (Note 7)	75,693	46,838	233,212	159,421
	(152,345)	(94,951)	(450,767)	(289,060)
<b>Other income</b>				
Grants and government tax credits	198,682	2,700	300,505	86,720
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>\$ 46,337</b>	<b>\$ (92,251)</b>	<b>\$ (150,262)</b>	<b>\$ (202,340)</b>
<b>Income (loss) per share – basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares Outstanding – basic and diluted</b>	<b>41,071,712</b>	<b>38,735,825</b>	<b>41,071,712</b>	<b>38,735,825</b>

These accompanying notes form an integral part of these condensed interim financial statements.

**Aether Catalyst Solutions, Inc.**  
**Condensed Interim Statement of Changes in Equity (Deficiency)**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	<b>Number of shares</b>	<b>Share Capital</b>	<b>Subscriptions received in advance (receivable)</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2017</b>	<b>33,144,225</b>	<b>\$ 740,684</b>	<b>\$ 15,000</b>	<b>\$ (891,031)</b>	<b>\$ (135,347)</b>
Shares issued for cash	5,357,487	458,729	(15,450)	-	443,279
Subscriptions received in advance	-	-	107,000	-	107,000
Shares issued for debt settlement	100,000	6,000	-	-	6,000
Loss for the period	-	-	-	(202,340)	(202,340)
<b>Balance, September 30, 2018</b>	<b>38,601,712</b>	<b>1,205,413</b>	<b>106,550</b>	<b>(1,093,371)</b>	<b>218,592</b>
Shares issued for cash	2,470,000	247,000	(107,000)	-	140,000
Loss for the period	-	-	-	(107,109)	(107,109)
<b>Balance, December 31, 2018</b>	<b>41,071,712</b>	<b>1,452,413</b>	<b>(450)</b>	<b>(1,200,480)</b>	<b>251,483</b>
Write-off of subscription receivable	-	-	450	-	450
Loss for the period	-	-	-	(150,262)	(150,262)
<b>Balance, September 30, 2019</b>	<b>41,071,712</b>	<b>\$ 1,452,413</b>	<b>\$ -</b>	<b>\$ (1,350,742)</b>	<b>\$ 101,671</b>

These accompanying notes form an integral part of these condensed interim financial statements.

**Aether Catalyst Solutions, Inc.**  
**Condensed Interim Statements of Cash Flows**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	<b>For the period ended September 30, 2019</b>	<b>For the period ended September 30, 2018</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (150,262)	\$ (202,340)
Changes in non-cash items:		
Amortization	7,882	-
Changes in non-cash working capital items:		
GST receivable	(13,381)	(5,205)
Prepaid	(983)	(10,500)
Accounts payable and accrued liabilities	11,158	(10,013)
<b>Cash used in operating activities</b>	<b>(145,586)</b>	<b>(228,058)</b>
<b>Cash flows from investing activities</b>		
Purchase equipment	(20,858)	(7,597)
<b>Cash used in financing activities</b>	<b>(20,858)</b>	<b>(7,597)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares, net of share issue costs	-	449,279
Subscriptions received in advance	-	107,000
Proceeds from short term loans	29,543	-
Repayment of loans	(30,843)	(8,900)
<b>Cash provided by (used in) financing activities</b>	<b>(1,300)</b>	<b>547,379</b>
<b>Change in cash</b>	<b>(167,744)</b>	<b>311,724</b>
<b>Cash, beginning of the period</b>	<b>334,942</b>	<b>3,881</b>
<b>Cash, end of the period</b>	<b>\$ 167,198</b>	<b>\$ 315,605</b>
<b>Supplementary cash flow information</b>		
<b>Non-cash financing activities</b>		
Shares issued for debt settlement	\$ -	\$ -
<b>Cash paid for interest</b>	<b>\$ -</b>	<b>\$ -</b>

These accompanying notes form an integral part of these condensed interim financial statements.

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**Aether Catalyst Solutions, Inc.**  
**Notes to the Condensed Interim Financial Statements**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Aether Catalyst Solutions, Inc. (“Aether” or the “Company”) was incorporated under the British Columbia Business Corporations Act (“BCBCA”) on July 8, 2011. The Company’s principal business activity is commercializing patent pending catalyst technology, first for use in automotive emissions abatement.

These condensed interim financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and/or obtaining additional financing.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, 12 months from September 30, 2019. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, as explained in the following paragraph.

The Company has sustained losses from operations and does not have sufficient cash to finance its current plans for at least 12 months from the date of this document. The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional financing through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

Statement of compliance

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. These condensed interim financial statements are prepared using the accrual basis of accounting, except for cash flow information. These condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

These condensed interim financial statements were approved for issuance by the Company’s Board of Directors on November 27, 2019.

These condensed interim financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Boards (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

The preparation of condensed interim financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments when applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

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**Aether Catalyst Solutions, Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of estimates and judgments**

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

- i) The ability of the Company to continue as a going concern.

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

*Income taxes*

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements.

Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax assets and liabilities, and tax planning initiatives.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash held with banks and highly liquid short-term investments in high interest saving accounts which can be withdrawn at any time, which, in the opinion of management, is subject to an insignificant risk of changes in value. As at September 30, 2019 and 2018, the Company held only cash.



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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Financial Instruments**

Financial assets are classified at initial recognition as either: measured at amortized cost, Fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments (continued)**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL. The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Financial Assets and Liabilities	IAS 39 Classification (Measurement)	IFRS 9 Classification and Measurement
Cash	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Loans payable	Other financial liabilities (amortized cost)	Amortized cost

*Measurement*

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

*Impairment*

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Government Contributions**

Government funding of eligible research and development expenditures is recognized when there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant will be received. The Company presents the grant in the statement of comprehensive loss. Tax credits are recognized in the statement of comprehensive loss when received.

**Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The operating segment's operating result is reviewed regularly by the Company's management, including the Chief Executive Officer, to make decisions about resources to be allocated to the segment, assess its performance, and for which discrete financial information is available.

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equipment**

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Equipment is depreciated over its estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is recognized using the following rate and method:

Equipment	straight-line over 5 years
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Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate. Plant and equipment costs are not amortized until the asset is available for use.

**Share capital**

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. The Company's common shares are classified as equity instruments.

Commissions paid to agents, and other directly attributable share issuance costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

When units are issued during a private placement, which include both common shares and share purchase warrants, the warrants are valued by comparing the total unit price to the fair value of the shares on the day of the announcement of the private placement. Any premium above the fair value of the shares issued would be allocated to the warrants and credited to the warrant reserve.

**Basic loss per share**

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred.

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**Aether Catalyst Solutions, Inc.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Share-based payments**

Where equity settled share purchase options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**Newly adopted accounting policies**

The Company adopted the following new IFRSs on January 1, 2019. The adoption did not have any significant effect on the financial statements.

*IFRS 16 – Leases*

In January 2016, the IASB issued IFRS 16 which replaces IAS 17 - Leases and its associated interpretative guidance, including IFRIC 4 and SIC 15. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a non-lease component on the basis of whether the customer controls the specific asset. For those contracts that are or contain a lease, IFRS 16 introduces significant changes for lessees to the accounting for contracts that are or contain a lease, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases less than 12 months in duration or leases of low value assets.

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**3. EQUIPMENT**

	<b>Total</b>
<b>Cost</b>	
Balance, December 31, 2018	\$ 42,291
Additions	20,858
Balance, September 30, 2019	\$ 63,149
<b>Amortization</b>	
Balance, December 31, 2018	13,811
Amortization	7,882
Balance, September 30, 2019	\$ 21,693
Net Book Value, December 31, 2018	\$ 28,480
Net Book Value, September 30, 2019	\$ 41,456

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Payables and accrued liabilities for the Company are broken down as follows:

	September 30, 2019	December 31, 2018
Trade payables	\$ 56,590	\$ 19,227
Accrued liabilities	10,950	37,350
Due to government	4,614	4,170
Due to related parties (Note 7)	46,609	47,308
<b>Total</b>	<b>\$ 118,763</b>	<b>\$ 108,055</b>

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**Aether Catalyst Solutions, Inc.**  
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**5. LOANS PAYABLE**

During the period ended September 30, 2019, the Company:

- i) received non-interest bearing loans with no fixed terms of repayment totaling \$5,700. The Company repaid \$7,000 of the loan payable during the period ended September 30, 2019. There is a balance of (\$1,347) (December 31, 2018 – (\$47)) remaining at September 30, 2019.
- ii) received non-interest bearing loans with no fixed terms of repayment totaling \$23,843. The Company repaid the loan in full during the period ended September 30, 2019.

During the year ended December 31, 2018, the Company received non-interest bearing loans with no fixed terms of repayment totaling \$51,757. The Company repaid \$33,000 of the loan payable during the year ended December 31, 2018. There is a balance of \$27,757 remaining at September 30, 2019.

During the year ended December 31, 2017, the Company received non-interest bearing unsecured loans with no fixed terms of repayment totaling \$15,800. The Company repaid \$8,500 during the year ended December 31, 2017 and \$5,000 during the year ended December 31, 2018. There is a balance of \$2,300 remaining at September 30, 2019.

**6. SHARE CAPITAL**

**Authorized**

Unlimited common shares without par value

**Issued**

During the period ended September 30, 2019, the Company didn't have any capital activity.

During the year ended December 31, 2018, the Company:

- i) issued 1,826,987 common shares at a price of \$0.06 per share for total proceeds of \$109,619. \$15,000 was received during the year ended December 31, 2017. The Company paid \$1,420 in finders fee.
- ii) issued 6,000,000 common shares at a price of \$0.10 per share for total proceeds of \$600,000 of which \$450 remained receivable at December 31, 2018. Each unit consists of one common share and one-half of one common share purchase warrant exercisable at \$0.15 to purchase 1 share for 18 months. The Company paid \$2,470 in finders fee.
- iii) issued 100,000 common shares at a price of \$0.06 per share to settle debt of \$6,000.

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**6. SHARE CAPITAL (continued)**

**Warrants**

A summary of changes in warrants during the period is as follows:

	Number of Warrants	Weighted average exercise price
Outstanding, December 31, 2017	-	\$ -
Issued	3,000,000	0.15
Outstanding, December 31, 2018	3,000,000	0.15
Issued	-	-
Outstanding, September 30, 2019	3,000,000	\$ 0.15

The following warrants were outstanding at September 30, 2019:

Number of Warrants	Exercise Price	Expiry Date
415,000*	\$0.15	December 21, 2019
900,000**	\$0.15	February 18, 2020
450,000	\$0.15	February 25, 2020
1,235,000	\$0.15	April 20, 2020
3,000,000		

\*100,000 warrants exercised subsequently.

\*\*100,000 warrants exercised subsequently.

**7. RELATED PARTY TRANSACTIONS**

	Period ended September 30, 2019	Period ended September 30, 2018
<b>Transactions with Key Management Personnel</b>		
Consulting fees paid to a director, officers, a company with common directors and a company owned by a director and officer	\$ 31,000	\$ 27,000
Payroll paid to officers	\$ 75,000	\$ 75,000

As at September 30, 2019, accounts payable and accrued liabilities include \$46,609 (December 31, 2018 - \$47,308) owing to a company owned by a director, officers and companies with common directors. The amounts are unsecured, non-interest bearing and have no specific terms of repayment.

As at September 30, 2019, other receivable includes \$1,347 (December 31, 2018 - \$47) owing from a director and companies with common directors. The amounts are unsecured, non-interest bearing and have no specific terms of repayment.

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**Aether Catalyst Solutions, Inc.**  
**Notes to the Condensed Interim Financial Statements**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018

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**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Fair Value Hierarchy*

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at September 30, 2019, the Company is not exposed to any significant credit risk.

*Foreign Exchange Risk*

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rate. The Company does not believe it is exposed to significant currency risk as funds are held in Canadian currency and there are no significant foreign exchange currency transactions.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the risk that the value of financial instruments will change due to movement in market interest rates. The Company does not hold interest-bearing debt with long-term maturities and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

*Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the Company's financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity risk through equity financing obtained through the sale of common shares and the exercise of warrants and options.



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**9. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. There were no changes in the Company's approach to capital management during the period ended September 30, 2019. The Company is not subject to externally imposed capital requirements.

**10. COMMITMENT**

The Company has entered into lease agreement for a promise expiring February 29, 2024.

Future minimum annual lease payments for the next five years and beyond are as follows:

2019	\$	7,930
2020		31,721
2021		32,644
2022		32,727
2023		32,727
2024		5,455
	\$	<u>143,204</u>

**11. SUBSEQUENT EVENTS**

Subsequent to the period ended September 30, 2019, the Company:

- i) issued 200,000 common shares pursuant to the exercise of warrants for proceeds of \$30,000.
- ii) granted 1,900,000 stock options to directors, officers, and employees of the Company. The options are exercisable at \$0.20 per option for 5 years. The options were fully vested on the grant date.