Aether Catalyst Solutions, Inc.

Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

Corporate Head Office

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

Crowe MacKay LLP
1100 - 1177 West Hastings Street
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of Aether Catalyst Solutions, Inc.

Opinion

We have audited the financial statements of Aether Catalyst Solutions, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2021 and December 31, 2020 and the statements of net loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
April 25, 2022

Aether Catalyst Solutions, Inc.
Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	$ 588,691	$ 45,409
Prepaid expenses	24,018	15,890
Receivables (Note 8)	30,513	40,975
	643,222	102,274
Right-of-use asset (Note 6)	71,860	105,026
Property, plant and equipment (Note 3)	47,334	84,794
	$ 762,416	$ 292,094
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 4, 8)	$ 76,141	$ 227,159
Lease liability (Note 6)	36,836	31,340
Loans payable (Notes 5, 8)	-	15,015
	112,977	273,514
Long-term loans payable (Note 5)	40,000	40,000
Long-term lease liability (Note 6)	50,935	87,771
	203,912	401,285
Shareholders' equity (deficiency)		
Share capital (Note 7)	2,651,897	1,743,546
Subscription received in advance	720	-
Contribution surplus (Note 7)	544,734	317,000
Deficit	(2,638,847)	(2,169,737)
	558,504	(109,191)
	$ 762,416	$ 292,094

Nature and continuance of operations (Note 1)
Commitment (Note 11)

APPROVED ON BEHALF OF THE DIRECTORS:

"Paul Woodward"	Director	*"Jason Moreau"*	Director
Paul Woodward		Jason Moreau	

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

Aether Catalyst Solutions, Inc.
Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	For the year ended, December 31, 2021	2020
Expenses		
Amortization (Notes 3, 6)	$ 70,626	$ 55,413
Consulting fees (Note 8)	99,860	101,170
Interest and accretion (Note 6)	17,158	24,851
Office, supplies and miscellaneous	69,226	77,490
Filing and issuer fees	20,334	17,381
Professional fees	42,376	44,845
Rent	5,811	1,744
Share-based compensation (Notes 7, 8)	103,000	-
Travel	-	1,208
Wages and benefits (Note 8)	186,378	320,225
	(614,769)	(644,327)
Other income (expense)		
Grants and government tax credits	145,659	220,379
Gain on loan forgiveness (Note 5)	-	20,000
Loss on settlement of debt (Notes 5, 7)	-	(22,587)
Net loss and comprehensive loss for the year	$ (469,110)	$ (426,535)
Loss per share – basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding – basic and diluted	46,220,930	42,101,339

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

Aether Catalyst Solutions, Inc.
Statement of Changes in Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of shares	Share Capital	Subscription received in advance	Contribution Surplus	Deficit	Total
Balance, December 31, 2019	**41,746,712**	**$ 1,553,663**	**$ -**	**$ 284,000**	**$ (1,743,202)**	**$ 94,461**
Shares issued for warrants	34,000	5,100	-	-	-	5,100
Shares issued for private placement	260,000	39,000	-	-	-	39,000
Shares issued for debt	1,041,307	145,783	-	33,000	-	178,783
Loss for the year	-	-	-	-	(426,535)	(426,535)
Balance, December 31, 2020	**43,082,019**	**1,743,546**	**-**	**317,000**	**(2,169,737)**	**(109,191)**
Shares issued for private placement	6,160,050	1,078,009	-	-	-	1,078,009
Shares issuance cost – cash	-	(84,176)	-	-	-	(84,176)
Shares issuance cost – broker's warrants	-	(149,000)	-	149,000	-	-
Shares issued for warrants	195,725	63,518	-	(24,266)	-	39,252
Subscription received in advance	-	-	720	-	-	720
Share-based compensation	-	-	-	103,000	-	103,000
Loss for the year	-	-	-	-	(469,110)	(469,110)
Balance, December 31, 2021	**49,437,794**	**$ 2,651,897**	**$ 720**	**$ 544,734**	**$ (2,638,847)**	**$ 558,504**

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

Aether Catalyst Solutions, Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

	For the year ended December 31, 2021	2020
Cash flows from operating activities		
Net loss for the year	$ (469,110)	$ (426,535)
Changes in non-cash items:		
Accretion of lease liability	16,832	21,356
Amortization	70,626	55,413
Interest on loans payable	-	3,253
Share-based compensation	103,000	-
Gain on loan forgiveness	-	(20,000)
Loss on settlement of debt	-	22,587
Changes in non-cash working capital items:		
Receivables	10,462	5,779
Prepaid	(8,128)	1,485
Accounts payable and accrued liabilities	(151,018)	188,721
Cash used in operating activities	(427,336)	(147,941)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(61,421)
Cash used in financing activities	-	(61,421)
Cash flows from financing activities		
Proceeds from issuance of shares, net of share issue costs	993,833	39,000
Subscription received in advance	720	-
Lease payments	(48,172)	(47,248)
Shares issued - warrants exercised	39,252	5,100
Proceeds from loans (Repayment of loans)	(15,015)	112,715
Cash provided by financing activities	970,618	109,567
Change in cash	543,282	(99,795)
Cash, beginning of the year	45,409	145,204
Cash, end of the year	$ 588,691	$ 45,409
Supplementary cash flow information		
Non-cash financing activities		
Fair value of brokers warrants	$ 149,000	$ -
Fair value of brokers warrants exercised	$ 24,266	$ -
Shares issued for debt settlement	$ -	$ 178,783
Cash paid for interest	$ -	$ 21,356

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

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 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 December 31, 2021. 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.

In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations.

On February 24, 2022, Russian troops started to invade Ukraine. In response to this military action, various countries, including Canada, issued broad-ranging economic sanctions against Russia. The ramifications of the sanctions may not be limited to Russia and Ukraine and may spill over to and negatively impact other regional and global economic markets, sectors, industries and markets for securities and commodities globally. The current circumstances are dynamic and the duration of the war and related impact of imposed sanctions on the business cannot be reasonably estimated at this time. While the company expects any direct impacts of the war in Ukraine to the business to be limited, the direct impacts on the economy may negatively affect the business and future operations.

These 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

<u>Statement of compliance</u>

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

These financial statements were approved for issuance by the Company's Board of Directors on April 25, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Boards ("IASB").

The preparation of 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.

Use of estimates and judgments

The preparation of these 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 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.

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 December 31, 2021 and 2020, the Company held only cash.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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: 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.

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	IFRS 9 Classification and Measurement
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Lease liability	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 FVTOCI. 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 profit or loss. Tax credits are recognized in profit or 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.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Property, plant and 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 property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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
Leasehold improvement	straight-line over remaining lease term

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate. Property, plant and equipment costs are not amortized until the asset is available for use.

Impairment of non-financial assets

The carrying amount of the Company's property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of net loss and comprehensive loss.

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.

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.

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.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

New accounting standards

Accounting standards not yet effective

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023 and are expected to have no impact on the Company.

3. PROPERTY, PLANT AND EQUIPMENT

		Total
Cost		
Balance, December 31, 2019	$	70,695
Addition		61,421
Balance, December 31, 2020		132,116
Additions		-
Balance, December 31, 2021	$	132,116
Amortization		
Balance, December 31, 2019	$	25,075
Amortization		22,247
Balance, December 31, 2020		47,322
Amortization		37,460
Balance, December 31, 2021	$	84,782
Net Book Value, December 31, 2020	$	84,794
Net Book Value, December 31, 2021	$	47,334

(Expressed in Canadian dollars)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		December 31, 2021		December 31, 2020
Trade payables	$	55,852	$	105,839
Accrued liabilities		15,600		15,600
Due to government		4,689		28,424
Due to related parties (Note 8)		-		77,296
Total	$	76,141	$	227,159

5. LOANS PAYABLE

During the year ended December 31, 2018, the Company received non-interest bearing loans with no fixed terms of repayment totaling $51,710. The Company repaid $24,000 of the loan payable during the year ended December 31, 2018. The Company settled the debt in full during the year ended December 31, 2020.

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, $5,000 during the year ended December 31, 2018 and $2,300 during the year ended December 31, 2021. There is a balance of $Nil remaining at December 31, 2021 (2020 – $2,300).

During the year ended December 31, 2020, the Company entered into a $40,000 promissory note with a company controlled by the Chief Financial Officer of the Company for a period of 6 months at an interest rate of 15% per annum. The Company settled the debt in full during the year ended December 31, 2020.

During the year ended December 31, 2020, the Company received non-interest bearing loans with no fixed terms of repayment totaling $12,715. The Company settled the debt in full during the year ended December 31, 2021.

During the year ended December 31, 2020, the Company received an interest-free loan of $60,000 through Canada Emergency Business Account. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of $20,000. If the balance is not paid by December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, effective January 1, 2024. As at December 31, 2020, $20,000 has been recognized as a gain.

6. LEASES

The right of use asset is depreciated on a straight-line basis over the term of the lease.

A summary of changes in right of use assets during the year is as follows:

Right of use asset, December 31, 2019	$	138,192
Depreciation of right of use asset		(33,166)
Right of use asset, December 31, 2020		105,026
Depreciation of right of use asset		(33,166)
Right of use asset, December 31, 2021	$	71,860

(Expressed in Canadian dollars)

6. LEASES (continued)

The lease term matures on February 29, 2024.

A summary of changes in right of use assets during the year is as follows:

Balance, December 31, 2019	$	145,003
Lease payments		(47,248)
Accretion		21,356
Balance, December 31, 2020		119,111
Lease payments		(48,172)
Accretion		16,832
Balance, December 31, 2021	$	87,771
Current lease liability		36,836
Long-term lease liability		50,935
Total lease liability at December 31, 2021	$	87,771

7. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Issued

During the year ended December 31, 2021, the Company:

i) completed its non-brokered private placement and issued 6,160,050 units at a price of $0.175 per unit for gross aggregate proceeds of $1,078,009. Each unit consists of one common share and one common share purchase warrant exercisable at $0.225 for a period of 24 months.

   The Company paid finder's fees of $84,176 and issued 589,997 finders' warrants (valued at $149,000), entitling the holder thereof to purchase one unit of the Company at a price of $0.175 per warrant share for a period of 24 months. Each unit will consist of one common share and one common share purchase warrant exercisable at $0.225 for a period of 24 months.

ii) issued 195,725 shares for total proceeds of $39,252 for warrants exercised of which $720 was outstanding at December 31, 2021, and reallocated $24,266 of warrant reserve to share capital.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

During the year ended December 31, 2020, the Company:

i) issued 34,000 shares for total proceeds of $5,100 for warrants exercised.

ii) issued 260,000 units for gross proceeds of $39,000. Each unit consists of one common share and one-half common share purchase warrant exercisable at $0.25 for a period 12 months.

iii) issued 1,041,307 units valued at $178,783 to settle $156,196 of debt with related parties and non-related parties resulting in a loss of $22,587. Each unit consists of one common share and one-half common share purchase warrant exercisable at $0.25 for a period 12 months.

Escrow shares

On March 31, 2019, the Company entered into a share escrow agreement where a total of 34,673,338 shares were initially held in escrow to be released according to a pre-determined release schedule. As at December 31, 2021, there were 5,200,998 shares in escrow (2020 - 15,603,000).

Options

A summary of changes in options during the year is as follows:

	Number of Options	Weighted average exercise price
Outstanding, December 31, 2019	1,900,000	$ 0.20
Cancelled	(150,000)	0.20
Outstanding, December 31, 2020	1,750,000	0.20
Granted	1,350,000	0.10
Cancelled	(850,000)	0.18
Outstanding, December 31, 2021	2,250,000	$ 0.15

The following options were outstanding at December 31, 2021:

Number of Options	Exercise Price	Expiry Date
1,200,000	$0.10	January 8, 2023
1,050,000	$0.20	November 28, 2024
2,250,000		

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Options (continued)

Share-based compensation

During the year ended December 31, 2021, the Company granted 1,350,000 stock options valued at $103,000 to certain directors, officers, and employees of the Company. The options are exercisable at a price of $0.10 per share expiring on January 8, 2023.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the years ended December 31, 2021 and 2020:

	Year ended December 31, 2021	Year ended December 31, 2020
Risk-free interest rate	0.18%	-
Expected life of options	2 years	-
Expected annualized volatility	167%	-
Exercise price	$0.10	-
Expected dividend rate	0.00%	-

Warrants

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

	Number of Warrants	**Weighted average exercise price**
Outstanding, December 31, 2019	2,250,000	$ 0.15
Granted	650,653	0.25
Expired	(2,216,000)	0.15
Exercised	(34,000)	0.15
Outstanding, December 31, 2020	650,653	0.25
Granted	6,255,775	0.22
Exercised	(100,000)	0.23
Expired	(650,653)	0.25
Outstanding, December 31, 2021	6,155,775	$ 0.22

Number of Warrants	**Exercise Price**	**Expiry Date**
4,088,750	$0.225	June 23, 2023
2,067,025	$0.225	July 14, 2023
6,155,775		

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Brokers Warrants

During the year ended December 31, 2021, the Company:

i) granted 400,947 brokers warrants valued at $101,000 pursuant to the first tranche of private placement. The warrants are exercisable into units at a price of $0.175 per unit expiring on June 23, 2023. Each unit will consist of a common share and a warrant exercisable at a price of $0.225 for a period of 24 months.

ii) granted 189,050 brokers warrants valued at $48,000 pursuant to the final tranche of private placement. The warrants are exercisable into units at a price of $0.175 per unit expiring on July 14, 2023. Each unit will consist of a common share and a warrant exercisable at a price of $0.225 for a period of 24 months.

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

	Number of Broker Warrants	Weighted average exercise price
Outstanding, December 31, 2020 and 2019	-	$ -
Granted	589,997	0.18
Exercised	(95,725)	0.18
Outstanding, December 31, 2021	494,272	$ 0.18

Number of Broker Warrants	Exercise Price	Expiry Date
381,747	$0.175	June 23, 2023
112,525	$0.175	July 14, 2023
494,272		

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of agent warrants granted for the years ended December 31, 2021 and 2020:

	Year ended December 31, 2021	Year ended December 31, 2020
Risk-free interest rate	0.40%	-
Expected life of options	2 years	-
Expected annualized volatility	159%	-
Exercise price	$0.20	-
Expected dividend rate	0.00%	-

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

		Year ended December 31, 2021		Year ended December 31, 2020
Transactions with Key Management Personnel				
Consulting fees paid to a director, officers, a company with common directors and a company owned by a director and officer	$	60,000	$	60,000
Wages paid to officers	$	64,500	$	100,000
Share-based compensation to officers and directors	$	83,925	$	-

As at December 31, 2021, accounts payable and accrued liabilities include $Nil (2020 – $77,296) 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 December 31, 2021, other receivable includes $6,000 (2020 – $24,688) owing from companies with common directors. The amounts are unsecured, non-interest bearing and have no specific terms of repayment.

As at December 31, 2021, loans payable included $Nil (2020 – $15,015) owing to companies with a director in common.

9. 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 December 31, 2021, the Company is not exposed to any significant credit risk.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

10. 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 year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

11. COMMITMENT

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

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

2022	$	32,727
2023		32,727
2024		5,455
	$	70,909

(Expressed in Canadian dollars)

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

		2021		2020
Net loss for the year before income taxes	$	(469,110)	$	(426,535)
Statutory income tax rate		27 %		27 %
Income tax recovery computed at statutory tax rate	$	(126,660)	$	(115,164)
Items not deductible for income tax purposes		27,912		709
True up		5,400		-
Change in unrecognized benefit of deferred income tax assets		93,348		114,455
Deferred income tax expense	$	-	$	-

The significant components of the Company's deferred income tax assets at December 31, 2021 and 2020 are presented below:

		2021		2020
Non-capital losses carried forward	$	537,000	$	450,000
Capital assets		23,000		13,000
SR&ED pool and ITC		42,000		42,000
Other		4,000		3,000
Share issuance cost		18,000		-
Unrecognized deferred income tax assets	$	624,000	$	508,000

The Company has non-capital losses of $1,990,000 (2020 - $1,667,000) available for carry-forward to reduce future years' income for income tax purposes, if not utilized, will expired between 2032 and 2041.