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**CHAR Technologies Ltd.**  
**Condensed Interim Consolidated Financial Statements**  
**Three Months Ended December 31, 2017 and 2016**

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

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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.

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## CHAR Technologies Ltd.

### Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

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	As at December 31, 2017	As at September 30, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,523,368	\$ 831,556
Amounts receivable (note 3)	211,752	339,083
Investment tax credits recoverable	35,314	35,314
Prepaid expenses	213,306	12,513
<b>Total current assets</b>	<b>1,983,740</b>	<b>1,218,466</b>
Property and equipment (note 4)	763,583	739,126
Intangible assets (note 5)	979,730	1,003,000
<b>Total assets</b>	<b>\$ 3,727,053</b>	<b>\$ 2,960,592</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 6 and 12)	\$ 168,627	\$ 176,246
Deferred grant income	631,451	631,451
<b>Total liabilities</b>	<b>800,078</b>	<b>807,697</b>
<b>Shareholders' equity</b>		
Share capital (note 7)	4,901,401	3,869,361
Reserves (note 9)	273,069	270,590
Contributed surplus	53,744	53,744
Deficit	(2,301,239)	(2,040,800)
<b>Total shareholders' equity</b>	<b>2,926,975</b>	<b>2,152,895</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 3,727,053</b>	<b>\$ 2,960,592</b>

Nature of business and going concern (note 1)

Subsequent events (note 14)

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 Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

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	<b>Three Months Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Expenses</b>		
Research and development	\$ 22,841	\$ 7,133
Professional fees	45,539	19,722
Consulting fees	104,783	21,910
Office expenses	45,438	39,225
Regulatory and filing fees	7,835	4,102
Depreciation (note 4)	2,024	2,002
Amortization (note 5)	29,500	29,500
Share-based payments	2,479	16,442
Loss from operations	(260,439)	(140,036)
Grant income	-	14,304
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (260,439)</b>	<b>\$ (125,732)</b>
<b>Net loss per share - basic and diluted</b> (note 8)	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average common shares outstanding - basic and diluted</b> (note 8)	<b>34,094,229</b>	<b>33,522,276</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.****Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

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	<b>Three Months Ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Net loss for the period	\$ (260,439)	\$ (125,732)
Adjustments for:		
Share-based payments	2,479	16,442
Depreciation	2,024	2,002
Amortization	29,500	29,500
Net change in non-cash working capital:		
Amounts receivable	127,331	25,813
Prepaid expenses	(200,793)	(155,508)
Accounts payable and accrued liabilities	(12,619)	(15,370)
<b>Net cash used in operating activities</b>	<b>(312,517)</b>	<b>(222,853)</b>
<b>Investing activities</b>		
Purchase of intangible assets	(6,230)	-
Purchase of property and equipment	(26,481)	-
<b>Net cash used in investing activities</b>	<b>(32,711)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from issuance of common shares, net of costs	1,037,040	-
Repayment of long-term loans payable	-	(1,004)
<b>Net cash provided by (used in) financing activities</b>	<b>1,037,040</b>	<b>(1,004)</b>
<b>Net change in cash</b>	<b>691,812</b>	<b>(223,857)</b>
<b>Cash, beginning of period</b>	<b>831,556</b>	<b>1,283,813</b>
<b>Cash, end of period</b>	<b>\$ 1,523,368</b>	<b>\$ 1,059,956</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		Reserves		Contributed Surplus	Deficit	Total
	Number of Shares	Amount	Equity Settled Share-Based Payments Reserve				
<b>Balance, September 30, 2016</b>	<b>33,522,276</b>	<b>\$ 3,869,361</b>	<b>\$ 150,857</b>	<b>\$ 53,744</b>	<b>\$ (567,398)</b>	<b>\$ 3,506,564</b>	
Share-based payments	-	-	16,442	-	-	16,442	
Net loss for the period	-	-	-	-	(125,732)	(125,732)	
<b>Balance, December 31, 2016</b>	<b>33,522,276</b>	<b>\$ 3,869,361</b>	<b>\$ 167,299</b>	<b>\$ 53,744</b>	<b>\$ (693,130)</b>	<b>\$ 3,397,274</b>	
<b>Balance, September 30, 2017</b>	<b>33,522,276</b>	<b>\$ 3,869,361</b>	<b>\$ 270,590</b>	<b>\$ 53,744</b>	<b>\$ (2,040,800)</b>	<b>\$ 2,152,895</b>	
Common shares issued for cash	3,513,609	737,858	-	-	-	737,858	
Flow-through shares issued for cash	1,270,000	317,500	-	-	-	317,500	
Issue costs	-	(23,318)	-	-	-	(23,318)	
Share-based payments	-	-	2,479	-	-	2,479	
Net loss for the period	-	-	-	-	(260,439)	(260,439)	
<b>Balance, December 31, 2017</b>	<b>38,305,885</b>	<b>\$ 4,901,401</b>	<b>\$ 273,069</b>	<b>\$ 53,744</b>	<b>\$ (2,301,239)</b>	<b>\$ 2,926,975</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 Months Ended December 31, 2017 and 2016

(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 biocarbon development (activated charcoal "SulfaCHAR" and solid biofuel "CleanFyre") and custom equipment for industrial air and water treatment, and providing services in environmental management, site investigation and remediation, engineering, and resource efficiency. The Company is listed on the TSX Venture Exchange (the "Exchange") trading under the symbol YES.V. The Company's head office address is 12 Banigan Drive, Toronto, Ontario, M4H 1E9.

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

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$2,301,239 as at December 31, 2017 (September 30, 2017 - \$2,040,800). The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at December 31, 2017, the Company had current assets of \$1,983,740 (September 30, 2017 - \$1,218,466) to cover current liabilities of \$800,078 (September 30, 2017 - \$807,697).

On February 26, 2018, the Board of Directors approved these unaudited condensed interim consolidated financial statements.

### 2. Significant accounting policies

#### (a) Statement of compliance

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of February 26, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended September 30, 2017, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending September 30, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

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# CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
Three Months Ended December 31, 2017 and 2016  
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## 2. Significant accounting policies (continued)

### (b) Basis of consolidation

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

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

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

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

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

#### Going concern

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

#### Deferred taxes

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

#### Useful lives of property and equipment and intangibles

As described above, the Company reviews the estimated useful lives of property and equipment and intangibles with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the three months ended December 31, 2017, 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  
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## 2. Significant accounting policies (continued)

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

### Business combinations

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

### Investment tax credits recoverable

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

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

### Share-based payments

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

(d) Future accounting pronouncements

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

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

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

# CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
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## 2. Significant accounting policies (continued)

(d) Future accounting pronouncements (continued)

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

## 3. Amounts receivable

	December 31, 2017	September 30, 2017
HST receivable	\$ 201,752	\$ 164,545
Trade receivables	-	174,538
Amounts receivable	10,000	-
<b>Total amounts receivable</b>	<b>\$ 211,752</b>	<b>\$ 339,083</b>

## 4. Property and Equipment

Cost	Computer Equipment	Production Equipment	Asset Under Construction	Total
Balance, September 30, 2016	\$ 1,224	\$ 22,826	\$ -	\$ 24,050
Additions	-	-	730,838	730,838
Balance, September 30, 2017	1,224	22,826	730,838	754,888
Additions	1,280	-	25,201	26,481
Balance, December 31, 2017	\$ 2,504	\$ 22,826	\$ 756,039	\$ 781,369

  

Accumulated depreciation	Computer Equipment	Production Equipment	Asset Under Construction	Total
Balance, September 30, 2016	\$ 130	\$ 7,623	\$ -	\$ 7,753
Depreciation	408	7,601	-	8,009
Balance, September 30, 2017	538	15,224	-	15,762
Depreciation	124	1,900	-	2,024
Balance, December 31, 2017	\$ 662	\$ 17,124	\$ -	\$ 17,786

  

Net book value	Computer Equipment	Production Equipment	Asset Under Construction	Total
Balance, September 30, 2017	\$ 686	\$ 7,602	\$ 730,838	\$ 739,126
Balance, December 31, 2017	\$ 1,842	\$ 5,702	\$ 756,039	\$ 763,583

# CHAR Technologies Ltd.

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

<b>Cost</b>	<b>Purchased Technology</b>	<b>Patents</b>	<b>Total</b>
<b>Balance, September 30, 2016 and September 30, 2017</b>	<b>\$ 1,180,000</b>	<b>\$ -</b>	<b>\$ 1,180,000</b>
Additions	-	6,230	6,230
<b>Balance, December 31, 2017</b>	<b>\$ 1,180,000</b>	<b>\$ 6,230</b>	<b>\$ 1,186,230</b>

  

<b>Accumulated amortization</b>	<b>Purchased Technology</b>	<b>Patents</b>	<b>Total</b>
<b>Balance, September 30, 2016</b>	<b>\$ 59,000</b>	<b>\$ -</b>	<b>\$ 59,000</b>
Amortization	118,000	-	118,000
<b>Balance, September 30, 2017</b>	<b>177,000</b>	<b>-</b>	<b>177,000</b>
Additions	29,500	-	29,500
<b>Balance, December 31, 2017</b>	<b>\$ 206,500</b>	<b>\$ -</b>	<b>\$ 206,500</b>

  

<b>Net book value</b>	<b>Purchased Technology</b>	<b>Patents</b>	<b>Total</b>
<b>Balance, September 30, 2017</b>	<b>\$ 1,003,000</b>	<b>\$ 1,003,000</b>	<b>\$ 1,003,000</b>
<b>Balance, December 31, 2017</b>	<b>\$ 973,500</b>	<b>\$ 6,230</b>	<b>\$ 979,730</b>

## 6. Accounts payable and accrued liabilities

	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Trade accounts payable	<b>\$ 128,307</b>	\$ 116,889
Due to related parties	<b>3,682</b>	-
Accrued liabilities	<b>36,638</b>	59,357
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 168,627</b>	\$ 176,246

# CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
Three Months Ended December 31, 2017 and 2016  
(Expressed in Canadian Dollars)  
(Unaudited)

## 7. Share capital

### (a) Authorized share capital

Unlimited number of common shares, with no par value.

### (b) Issued common shares

	Number of Shares	Amount
<b>Balance, September 30, 2016 and December 31, 2016</b>	<b>33,522,276</b>	<b>\$ 3,869,361</b>
<b>Balance, September 30, 2017</b>	33,522,276	\$ 3,869,361
Common shares issued for cash (i)	3,513,609	737,858
Flow-through shares issued for cash (i)	1,270,000	317,500
Issue costs	-	(23,318)
<b>Balance, December 31, 2017</b>	<b>38,305,885</b>	<b>\$ 4,901,401</b>

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

### (c) Escrowed shares

#### *CPC Escrow Agreement*

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

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

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

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

As at December 31, 2017, there were 2,711,251 common shares held in escrow pursuant to the requirements of the Exchange.

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# CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
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## 7. Share capital (continued)

### (c) Escrowed shares (continued)

#### Qualifying Transaction Escrow Agreement

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

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

As at December 31, 2017, there were 6,117,077 common shares held in escrow pursuant to the requirements of the Exchange.

#### Shares Subject to Resale Restrictions ("Value Escrow")

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

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

As at December 31, 2017, there were 1,900,001 common shares held in escrow pursuant to the requirements of the Exchange.

## 8. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended December 31, 2017 was based on the loss attributable to common shareholders of \$260,439 (three months ended December 31, 2016 - \$125,732) and the weighted average number of common shares outstanding of 34,094,229 (three months ended December 31, 2016 - 33,522,276). Stock options have an anti-dilutive effect on the diluted loss per share disclosed in the statements of loss and comprehensive loss and therefore were not included in the diluted loss per share calculation.

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## CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 9. Stock options

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

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, September 30, 2016	2,111,826	0.13
Cancelled	(250,000)	0.10
<b>Balance, December 31, 2016</b>	<b>1,861,826</b>	<b>0.11</b>
<hr/>		
<b>Balance, September 30, 2017 and December 31, 2017</b>	<b>2,581,826</b>	<b>0.15</b>

The following table reflects the actual stock options issued and outstanding as of December 31, 2017:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
March 31, 2018	0.22	0.25	1,826	1,826	-
January 7, 2019	0.10	1.02	1,000,000	1,000,000	-
April 21, 2019	0.16	1.31	200,000	200,000	-
August 25, 2021	0.1725	3.65	660,000	460,000	200,000
January 27, 2022	0.18	4.08	720,000	500,000	220,000
	0.15	2.57	2,581,826	2,161,826	420,000

### 10. Capital management

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

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

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# CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
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## 11. Financial instruments and risk management

### *Risk management*

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

### *Market risk*

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

### *Interest rate risk*

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

### *Liquidity risk*

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company's strategy is to satisfy its liquidity needs using cash on hand, and cash flow provided by financing activities. As at December 31, 2017, the Company had a cash of \$1,523,368 to settle current liabilities of \$800,078. The Company's accounts payable and accrued liabilities and deferred grant income are due within one year from the date of the statement of financial position.

### *Fair value*

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

## 12. Related party balances and transactions

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

	Three Months Ended December 31,	
	2017	2016
Marrelli Support Services Inc. ("MSSI") (i)	\$ 6,000	\$ 6,000
DSA Corporate Services ("DSA") (ii)	\$ 2,744	\$ 2,288
1456087 Ontario Inc. ("1456087") (iii)	\$ 15,000	\$ 15,000
Merko-Nicholson Inc. ("Merko-Nicholson") (iv)	\$ 15,000	\$ 15,000

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

(ii) DSA is affiliated with MSSI through a common officer. DSA provides corporate secretarial services. As at December 31, 2017, DSA was owed \$3,682 (September 30, 2017 - \$3,117). These amounts are included in accounts payable and accrued liabilities.

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

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

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## CHAR Technologies Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
Three Months Ended December 31, 2017 and 2016  
(Expressed in Canadian Dollars)  
(Unaudited)

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### 12. Related party balances and transactions (continued)

Remuneration of key management of the Company was as follows:

	Three Months Ended December 31,	
	2017	2016
Salaries	\$ 18,750	\$ 18,750
Share based payments	\$ 1,031	\$ 16,442

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

### 13. Commitment

#### Flow-through commitment

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

### 14. Subsequent events

(i) On January 1, 2018, the Company closed its previously announced acquisition of the Altech Group ("Altech"), which is comprised of Altech Environmental Consulting Ltd. and Altech Technologies Systems Inc. Altech provides solutions to environmental engineering challenges. Founded in 1986, Altech has 12 employees and a diverse and stable client base. CHAR acquired all of the outstanding shares in both Altech Environmental Consulting Ltd. and Altech Technology Systems Inc. (the "Purchased Shares"). Altech shareholders received an aggregate of 4,523,810 in common shares of CHAR as well as \$150,000 in cash in exchange for the Purchased Shares.

(ii) On January 18, 2018, the Company granted 650,000 stock options to directors, officers and consultants of the Company, which are exercisable into common shares of the Company at a price of \$0.22 per common share. The options have a term of five years and will expire on January 18, 2023.

(iii) On February 1, 2018, the Company announced that a shareholder agreed to surrender for cancellation an aggregate of 100,000 common shares (the "Shares") of CHAR. The Shares are currently held in escrow pursuant to a Form 2F CPC Escrow Agreement dated December 11, 2013. Upon release from escrow the Shares will be returned to CHAR for cancellation.