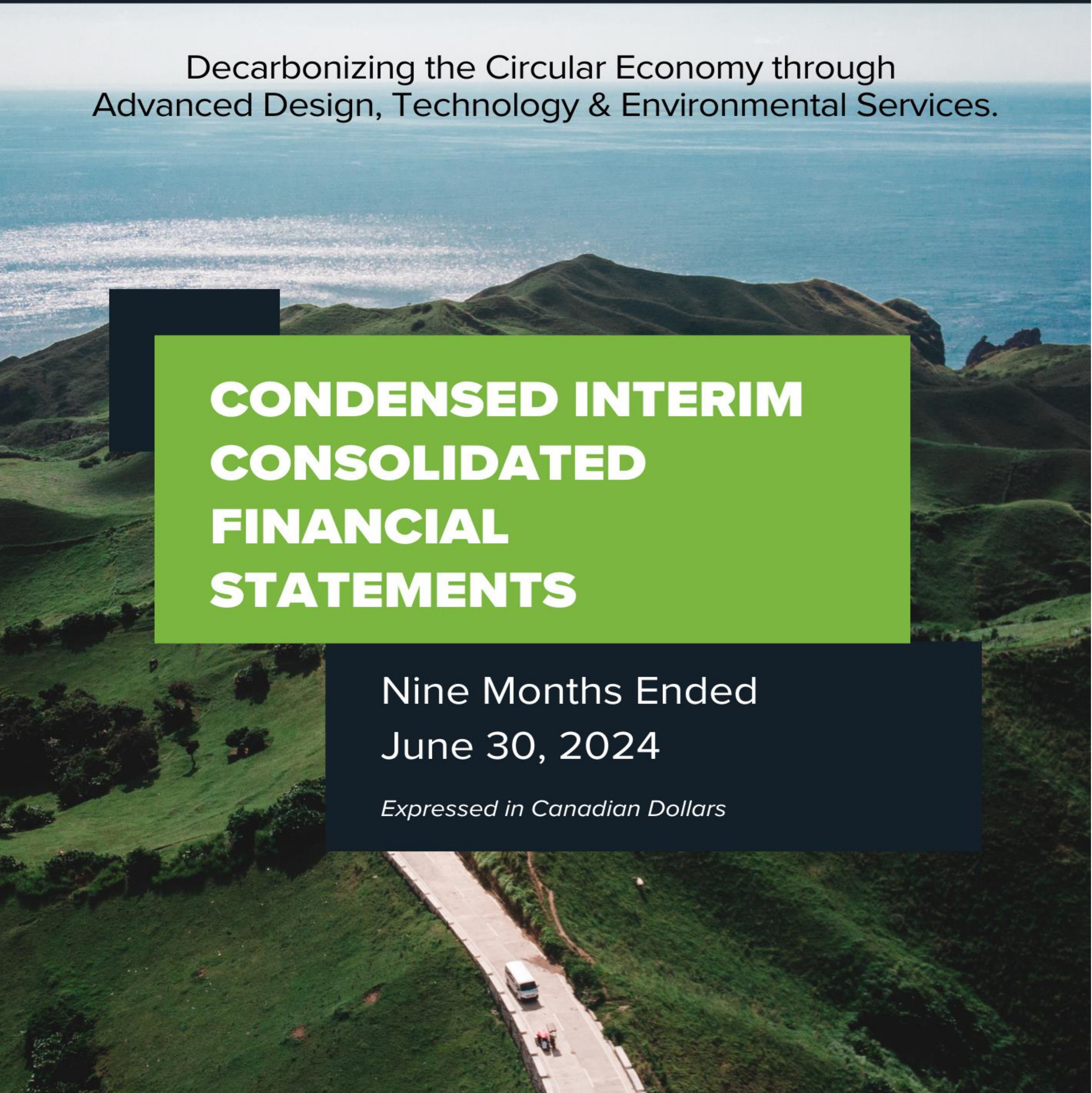
CHARTECH



Decarbonizing the Circular Economy through
Advanced Design, Technology & Environmental Services.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended
June 30, 2024

Expressed in Canadian Dollars

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.

TABLE OF CONTENTS

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
Unaudited

	As at June 30, 2024 $	As at September 30, 2023 $
ASSETS		
Current assets		
Cash	**1,288,999**	2,093,154
Term deposit	**-**	4,000,000
Accounts receivable (note 3)	**1,400,523**	1,665,710
Work-in-progress (note 4)	**257,281**	303,598
Inventory	**-**	8,933
Prepaid expenses	**118,931**	196,249
Total current assets	**3,065,734**	8,267,644
Property and equipment (note 5)	**11,358,049**	7,939,575
Right-of-use assets (note 6)	**1,508,594**	1,222,027
Goodwill (note 7)	**652,916**	652,916
Intangible assets (note 7)	**241,520**	786,311
Total assets	**16,826,809**	18,868,473
SHAREHOLDERS' EQUITY AND LIABILITIES		
Liabilities		
Accounts payable and accrued liabilities (notes 8 & 16)	**4,845,670**	2,501,017
Lease liabilities (note 10)	**194,417**	94,799
Loans payable (note 9)	**24,244**	32,136
Deferred income tax liability	**-**	-
Deferred revenue	**277,438**	574,638
Deferred grant income (note 5)	**-**	23,614
Total current liabilities	**5,341,768**	3,226,204
Lease liabilities (note 10)	**1,437,887**	1,213,416
Loans payable (note 9)	**2,515,596**	2,466,720
Deferred grant income (note 5)	**5,148,168**	5,028,168
Total liabilities	**14,443,419**	11,934,508
Shareholders' equity		
Share capital (note 11)	**24,600,934**	24,007,240
Share-based payment reserves (note 13)	**7,933,153**	7,015,811
Contributed surplus	**53,744**	53,744
Deficit	**(30,204,442)**	(24,142,830)
Total shareholders' equity	**2,383,390**	6,933,965
Total shareholders' equity and liabilities	**16,826,809**	18,868,473

Nature & Going concern (Note 1);
Contingent liabilities (Note 19);
Commitments (Note 17);
Subsequent events (Note 18)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS & COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended June 30, 2024 $	Three Months Ended June 30, 2023 $	Nine Months Ended June 30, 2024 $	Nine Months Ended June 30, 2023 $
Revenue				
Consulting revenue	**168,458**	337,943	**518,520**	859,385
Technology revenue	**995,461**	89,383	**1,939,031**	**468,540**
Total revenue	**1,163,919**	427,383	**2,457,551**	1,327,925
Cost of revenue	**(1,003,938)**	(208,006)	**(2,019,419)**	(658,270)
Gross profit	**160,081**	219,320	**438,133**	669,655
Expenses				
Research and development	**71,871**	194,210	**242,239**	518,221
Professional fees	**227,819**	355,236	**634,283**	1,060,810
Consulting fees (note 16)	**102,756**	-	**597,443**	4,163
Office expenses	**1,215,845**	963,932	**3,744,367**	2,768,816
Regulatory and filing fees	**9,933**	6,140	**34,318**	40,638
Depreciation (notes 5 and 6)	**107,268**	150,180	**275,887**	422,344
Amortization (note 7)	**30,765**	335,712	**544,791**	1,009,070
Share-based payments (notes13 and 16)	**535,028**	252,564	**1,399,324**	1,297,287
	2,301,285	2,257,974	**7,472,653**	7,121,349
Loss from operations	**(2,141,204)**	(2,038,654)	**(7,034,520)**	(6,451,694)
Grant income (notes 5 and 9)	**821,905**	110,204	**845,518**	1,389,290
Interest Income	**5,708**	-	**127,389**	-
Net loss before income taxes	**(1,313,591)**	(1,928,450)	**(6,061,612)**	(5,062,404)
Net loss and comprehensive loss for the period	**(1,313,591)**	(1,928,450)	**(6,061,612)**	(5,062,404)
Net loss per share- basic and diluted (note 12)	**(0.01)**	(0.02)	**(0.06)**	(0.06)
Weighted average common shares outstanding - basic and diluted (note 12)	**100,712,524**	88,158,650	**100,712,524**	88,158,650

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
Unaudited

	Nine Months Ended June 30, 2024	2023
	$	$
Operating activities		
Net loss of the period	**(6,061,612)**	(5,062,404)
Adjustments for:		
Share-based payments	**1,399,326**	1,297,287
Depreciation	**276,882**	422,344
Amortization	**544,791**	1,009,070
Accretion and interest	**196,128**	
Deferred grant income	**(845,518)**	4,402,388
Write down of intangible asset	**-**	1,148,341
Net change in non-cash working capital		
Amounts receivable	**265,191**	(595,745)
Prepaid expenses	**77,318**	(46,073)
Work-in-progress	**46,317**	(344,743)
Inventory	**8,933**	**-**
Deferred revenue	**(297,200)**	1,089,764
Accounts payable and accrued liabilities	**2,344,653**	(343,355)
Net cash used in operating activities	**(2,044,791)**	2,976,874
Investing activities		
Purchase of term deposit	**4,000,000**	-
Purchase of Intangible assets	-	(8,222)
Purchase of property and equipment	**(3,511,186)**	(3,520,246)
Net cash used in investing activities	**488,814**	(3,528,468)
Financing activities		
Proceeds of loans net of repayments	**(24,705)**	(636,315)
Proceeds from warrants exercised	-	1,737,830
Asset retirement obligation	-	(60,414)
Proceeds from options exercised	**111,710**	132,000
Purchase of right of use assets	**(22,050)**	1,287,002
Lease payments	**(255,038)**	(1,222,214)
Deferred grant income	**941,904**	-
Net cash provided by financing activities	**751,821**	1,237,889
Net change in cash	**(804,155)**	686,295
Cash, beginning of period	**2,093,154**	460,483
Cash, end of period	**1,288,998**	1,146,778

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital					
	Number of Shares $	Amount $	Share Based Payment Reserve $	Contributed Surplus $	Deficit $	Total $
Balance, September 30, 2022	**83,003,165**	**15,255,158**	**5,101,933**	**53,744**	**(15,713,010)**	**4,697,825**
Share issuance costs-cash (note 11)	-	-	1,297,287	-	-	1,297,287
Share-based payments (note 13)	3,572,605	1,830,024	(389,560)	-	-	1,440,464
Exercise Broken Warrants (note11)	914,967	489,507	(192,143)	-	297,364	297,364
Exercise of stock options (note 11)	600,000	132,000	-	-	-	132,000
Exercise of Restricted Shares Units	67,913	-	-	-		-
Net and comprehensive loss for the year	-	-	-	-	(3,133,954)	(3,133,954)
Balance, June 30, 2023	**88,036,404**	**17,706,690**	**5,817,518**	**53,744**	**(20,775,414)**	**2,802,538**
Balance, September 30, 2023	100,110,530	24,007,240	7,015,811	53,744	(24,142,830)	6,933,965
Share issuance costs-cash (note 11)	-	-	-	-	-	-
Share-based payments (note 13)	-	-	1,399,324	-	-	864,296
Exercise of stock options (note 11)	680,727	205,500	(93,790)	-	-	111,710
Exercise of Restricted Shares Units	559,671	388,194	(388,194)	-	-	-
Net and comprehensive loss for the year					(6,061,612)	(6,061,612)
Balance, June 30, 2024	**101,350,928**	**24,600,934**	**7,933,154**	**53,744**	**(30,204,442)**	**2,383,390**

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

1. Nature of Business and Going Concern

CHAR Technologies Ltd. (the "Company" or "CHAR Tech") is a cleantech development and services company, specializing in high temperature pyrolysis, converting woody materials and organic waste into renewable gases (renewable natural gas and green hydrogen) and biocarbon (activated charcoal "SulfaCHAR" and biocoal "CleanFyre"). Additional services environmental compliance, environmental management, engineering and resource efficiency. The Company is listed on the TSX Venture Exchange (the "Exchange") trading under the symbol YES. The Company's head office address is Morneau Shepell Centre II,895 Don Mills Road, Suite 400, Toronto, Ontario, M3C 1W3.

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

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $30,204,442 as at June 30, 2024 (September 30, 2023 - $24,142,830). 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.

On August 30, 2024, the Board of Directors approved these consolidated financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

(b) Basis of consolidation

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

2. Significant Accounting Policies (continued)

(c) Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Maintenance and repair expenditures that do not improve or extend the life are expensed in the period incurred.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. No depreciation is recognized for property and equipment until it is completed and ready for intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Estimated useful lives for the principal asset categories are as follows:

Computer equipment	3 years
Production equipment	5 years
Pilot Kiln	5 years
Leasehold improvements	Amortized over the term of the lease

(d) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of cash generating units (“CGUs”) which comprise the CGU segment, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recorded in income in the reporting year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

(e) Intangible assets

Intangible assets with finite lives that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, such intangible assets are carried at cost less any impairment losses and accumulated amortization on a straight-line basis over the estimated useful life. The estimated useful life and amortization method are reviewed annually, with the effect of any change in estimate being accounted for on a prospective basis.

2. Significant Accounting Policies (continued)

(e) Intangible assets (continued)

The estimated useful lives of the intangible assets are as follows:

Purchased technology	10 years
Customer relationships	5 years
Patents	10 years
Technology license	3 years
Proprietary design	10 years

(f) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and definite life intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in consolidated statement of loss and comprehensive loss. For purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). At each reporting date, management assesses whether there is an indication that a previously recognized impairment loss has reversed, and accordingly whether the impairment loss should be reversed.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized.

If an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately.

Goodwill is tested for impairment annually at year-end and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the segment is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2. Significant Accounting Policies (continued)

(g) Financial instruments

The following table summarizes the classification and measurement under IFRS 9 for each financial instrument:

Classification	IFRS 9
Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable	Amortized cost
Loans payable	Amortized cost

i. Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by- instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ii. Measurement

Financial assets and liabilities at amortized co–t - Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVT–L - Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the interim consolidated statements of loss and comprehensive loss in the year in which they arise.

Financial assets and liabilities at FVTO–I - Financial assets and liabilities carried at FVTOCI are initially recorded at fair value and transaction costs are capitalized in the consolidated statements of financial position. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTOCI are included in the accumulated other comprehensive income in the period in which they arise and will generally be transferred into the interim consolidated statements of loss and comprehensive loss in the year in which the instrument is sold.

2. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

iii. Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv. Derecognition

Financial assets - The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities - A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

(h) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty.
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. Changes in the carrying amount of the allowance account are recognized in consolidated statement of loss and comprehensive loss.

2. Significant Accounting Policies (continued)

(i) Revenue from Contracts and Customers ("IFRS 15")

The Company derives revenues from the delivery of engineering services and technology.

When the Company earns revenue from engineering services before issuing an invoice, it acknowledges this income as work in progress. This is reported on the Company's consolidated statements of financial position as costs and estimated profits exceeding billings. The work-in progress is transferred to trade receivables when the invoice is issued indicating that the entitlement to payment has become unconditional. If payments are received, or invoices are issued to a customer, prior to the rendering of services, the Company recognizes deferred revenue. The deferred revenue is transferred to revenues once related services have been rendered.

Revenues are measured based on the consideration specified in a contract with a customer. The Company typically recognizes revenues over time, using an input measure, as it fulfills its performance obligations in line with contracted terms.

Revenues (and profits) from cost-plus contracts with ceilings and from fixed-price contracts are recognized progressively based on a percentage-of-completion method, which is calculated on the ratio of contract costs incurred to total anticipated costs.

A performance obligation is a promise in the contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenues when, or as, the performance obligation is satisfied. The Company's contracts have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. Any modifications or variations to contracts in progress are assessed to determine if they fall under the scope of the existing contract performance obligation or form part of a new performance obligation.

Revenues (and profits) from cost-plus contracts without stated ceilings are recognized when costs are incurred and are calculated based on billing rates for the services performed.

Certain costs incurred by the Company for sub-consultants and other expenses that are recoverable directly from customers are billed to them and therefore are included in revenues.

The effect of revisions to estimate revenues and costs, including the impact from any modifications or variations to contracts in progress, is recorded when the amounts are known and can be reasonably estimated. These revisions can occur at any time and could be significant. Where total contract costs exceed total contract revenues, the expected loss is recognized as an expense immediately via a provision for losses to completion, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation (e.g. award or incentive fees).

For product sales, the Company transfers control and satisfies its performance obligation when collection has taken place, compliant documentation has been signed and the product was accepted by the buyer.

2. Significant Accounting Policies (continued)

(j) Share-based payments

The Company accounts for all share-based payments awarded to directors and officers and non-employees using the fair value method. For employees, cost is measured at the grant date at fair value using the Black-Scholes Option-Pricing Model that takes into account the exercise price, the expected life of the option, the current price of the underlying stock, the expected volatility, the expected dividends and the risk-free interest rate for the expected term of the option. For non-employees, the fair value of each tranche of options issued is determined by the fair value of goods and services received. If the fair value of such goods and services cannot be reliably measured, an option pricing model will be utilized. The compensation cost will be expensed in the interim consolidated statements of loss and comprehensive loss over the vesting period for directors and officers and over the performance period for awards provided to non-employees in exchange for goods and services.

(k) Government grants

Government grants are not recognized until there is reasonable assurance that they will be received and that the Company will be in compliance with any conditions associated with the grant. Grants that compensate the Company for expenses are recognized in the interim consolidated statements of loss and comprehensive loss with the same classification as the related expense and in the same period in which the expense is recognized. Grants related to assets are presented as deferred income and recognized in the interim consolidated statements of loss and comprehensive loss on a systematic basis over the useful life of the asset.

(l) Earnings or Loss per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(m) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the interim consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2. Significant Accounting Policies (continued)

(m) Income taxes (continued)

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(n) Foreign currency transactions

The functional currency of the Company and its subsidiaries is the Canadian dollar. The interim condensed consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in consolidated statements of loss and comprehensive loss.

(o) Leases

- Leases are accounted for by recognizing a right-of-use asset and a lease liability except for:
- Leases of low value assets; and
- Leases with a duration of twelve months or less.

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

On initial recognition, the carrying value of the lease liability also includes:
- Amounts expected to be payable under any residual value guarantee.
- The exercise price of any purchase option granted if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

2. Significant Accounting Policies (continued)

(o) Leases (continued)

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

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

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

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

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

(p) Future Accounting Pronouncements

There are no other IFRS or IFRICs that are not effective and that would be expected to have a material impact on the Company’s consolidated financial statements.

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

The preparation of these interim condensed 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:

2. Significant Accounting Policies (continued)

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

Going concern

As discussed in note 1, these interim condensed 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.

Useful lives of property and equipment and intangibles

The Company reviews the estimated useful lives of property and equipment and intangibles with finite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the quarter ended June 30, 2024, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Share-based payments

The Company estimates the fair value of 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.

Impairment testing goodwill

The Company performs annual impairment tests for impairment of goodwill at the end of each fiscal year or when events occur or circumstances change that would, more likely than not, indicate an impairment loss is present. Key assumptions in the impairment assessment include underlying recoverable amounts of respective CGUs, the discount rates applied, future growth rates and forecast cash flows (note 7).

(Expressed in Canadian Dollars)

3. Accounts Receivable

	As at June 30, 2024	As at September 30, 2023
	$	$
Trade Receivables	**399,557**	**230,224**
Government grants receivable	**597,008**	**502,817**
HST receivable	**96,640**	**590,355**
Loans receivable from related parties (note 16)	**307,313**	**342,314**
Total amounts receivable	**1,400,519**	**1,665,710**

Loans receivable from related parties consist of loans extended by the Company to officers of the Company of $307,314 (2023: $342,314) to be paid on demand at the rate of 2.45% (note 16). The table below is a summary of the loans extended to the officers of the Company:

	As at March31, 2024	As at September 30, 2023
	$	$
Andrew White (CEO)	**307,314**	**307,314**
Mark Korol (former CFO)	**-**	**35,000**
Total	**307,314**	**342,314**

4. Work in Progress

The Company records the work in progress (WIP) related to unbilled work from contracts referring to the value of services performed, or products developed under a contract that have not yet been billed to the client. This can include partially completed work or fully completed work awaiting the invoicing process. The balance recognized related to unbilled work is $257,281 as at June 30, 2024 (September 30, 2023- $303,598).

(Expressed in Canadian Dollars)

5. Property and Equipment

Cost	Computer Equipment	Production Equipment	Pilot Kiln	Leasehold Improvements	Construction in progress	Total
Balance, September 30, 2022	**$51,331**	**$326,351**	**$1,633,124**	**$55,216**	**$3,171,787**	**$5,237,809**
Additions	13,468	30,976	50,169	-	4,492,660	4,587,273
Balance, September 30, 2023	**$64,799**	**$357,327**	**$1,683,293**	**$55,216**	**$7,664,447**	**$9,825,082**
Additions	15,898	-	960,735	-	2,534,553	3,511,186
Balance, June 30, 2024	**$80,697**	**$357,327**	**$2,644,028**	**$55,216**	**$10,199,000**	**$ 13,336,268**

Accumulated depreciation	Computer Equipment	Production Equipment	Pilot Kiln	Leasehold Improvements	Construction in progress	Total
Balance, September 30, 2022	**$30,101**	**$115,017**	**$ 1,306,499**	**$ 13,649**	**$-**	**$1,465,266**
Additions	14,015	16,995	376,794	12,437	-	420,241
Balance, September 30, 2023	**$44,116**	**$132,012**	**$ 1,683,293**	**$26,086**	**$-**	**$ 1,885,507**
Additions	15,389	55,088	16,012	6,220	-	92,711
Balance, June 30, 2024	**$59,509**	**$187,100**	**$ 1,683,293**	**$32,306**	**$ -**	**$ 1,978,218**

Net book value	Computer Equipment	Production Equipment	Pilot Kiln	Leasehold Improvements	Construction in progress	Total
Balance, September 30, 2023	**$20,683**	**$225,315**	**$ -**	**$29,130**	**$7,664,447**	**$7,939,575**
Balance, June 30, 2024	**$21,192**	**$170,226**	**$ 944,723**	**$22,910**	**$10,199,000**	**$ 11,358,050**

Government grants

During the year ended September 30, 2020, the Company received $18,750 from Sustainable Development and Technology Canada ("SDTC") as additional funding in response to COVID-19. The grant was administered by SDTC.

The Pilot Kiln was also co-funded through Ontario Center of Excellence ("OCE"). OCE approved a $1,000,000 non-repayable grant on June 28, 2017 towards the project following the milestones of the previously approved SD Natural Gas Fund Grant from SDTC and the Canadian Gas Association ("CGA"). Disbursements were subordinate to SD Natural Gas fund approvals and payments, and all funding and payments have been received.

On January 23, 2018, the Company received approval for $1,062,385 from the Government of Ontario through the Low Carbon Innovation Fund ("LCIF") for the commercialization of "Cleanfyre", a carbon neutral coal replacement. The Company received payments of $531,192 and $371,835 for the project milestones 1 and 2, respectively. The program has been cancelled by the Government of Ontario, no further reporting is required, and no further payments are expected.

5. Property and Equipment (continued)

Government grants (continued)

On April 15th, 2021, the Company entered into a commercialization services agreement with Bioindustrial Innovation Canada ("BIC") where BIC is supporting the balance of plant requirements for upgrading and moving the existing CHAR biocarbon production facility from London Ontario to Thorold, Ontario, as well as design and engineering for the production of renewable natural gas ("RNG") from High Temperature Pyrolysis. Commercialization of Sustainable Innovation ("COMM SCI") is providing $95,000 in a non-repayable contribution and $105,000 in in-kind support from BIC. Balance of plant work includes the civil, structural, mechanical, electrical and other engineering disciplines required to connect the CHAR production system to the various utility requirements. BIC approves all eligible expenditures and pays the invoices directly to the suppliers.

On September 22, 2021, the Company entered into a contribution agreement with Natural Gas Innovation Fund ("NGIF"), where NGIF will be providing $300,000 in non-repayable grant funding towards the installation of a renewable natural gas ("RNG") production system at CHAR Tech's Thorold site. The grant includes a 10% holdback to be disbursed on project completion, with the remaining funds being disbursed at the commencement of each of three milestones The milestones are as follows:

Milestone 1: Detailed Engineering Design. This milestone is complete.

Milestone 2: Fabrication and Commissioning. This milestone is in progress.

Milestone 3: Validation. This milestone has not yet begun.

Included in the grant receivable is the 10% holdback for the initial advance for $80,000, (30% of total NGIF contribution) invoiced during the year ended September 30, 2022, and for the Milestone 1 of $120,000 (40% of total NGIF contribution) invoiced during the quarter ended June 30, 2024.

The grants received from SDTC & CGA, OCE, NGIF and LCIF are recorded as deferred grant income until the full completion of the construction and production. The grant income is recognized as grant income on a systematic basis consistent with the amortization of the related assets.

During the quarter ended June 30, 2024, the Company did not recognize any grant income (2023: $330,610) grant income, recorded under grant income on the interim consolidated statements of loss and comprehensive loss for the grant received from projects above.

On November 8, 2022, the Company signed a non-refundable contribution agreement with the Department of Natural Resources, under the Investments in Forest Industry Transformation ("IFIT") program. During the fiscal year ended September 30, 2023, the Company received two tranches of funding as part of the program: one amounting to $2,254,595 and another totaling $2,189,755. The funding program will ultimately cover production plant costs up to a maximum amount of funding assistance of $4,938,168.

On March 8, 2024, CHAR Technologies was granted $6,651,242 from Natural Resources Canada's Clean Fuels Fund to support the expansion and replication of its Thorold facility across five new sites in Canada. The funds are disbursed based on a structured claim process during the next 3 years that ensures funding disbursement aligns with project milestones and compliance with governmental oversight. As of June 30, 2024, a total of 821,905 grant revenues have been recognized on the interim consolidated statements of loss and comprehensive loss corresponding to the claim period up to March 2024. Included in the grant receivable is the 10% holdback for the total claims approved by NRCan during the quarter ended June 30, 2024.

(Expressed in Canadian Dollars)

5. Property and Equipment (continued)

Government grants (continued)

The following is a cumulative summary of grants received:

	As at June 30, 2024	As at September 30, 2023
	$	$
Grant received from SDTC	**768,750**	768,750
Grant received from OCE	**1,000,000**	1,000,000
Grant received from LCIF	**903,027**	903,027
Advance received from NGIF	**189,000**	81,000
NGIF 10% holdback (note 3)	**21,000**	9,000
Grant received from CFF. NRCan	**739,714**	-
CFF 10% holdback (note 3)	**82,190**	-
IFIT program	**4,444,350**	4,444,350
IFIT 10% holdback (note 3)	**493,818**	493,818
Total accumulated recognized grant income	**(3,493,681)**	(2,648,163)
Total deferred grant income	**5,028,168**	5,051,782
Less current portion	**-**	(23,614)
Long-term portion	**5,028,168**	5,028,168

Construction in Progress

The Company is party to a High Temperature Pyrolysis (“HTP”) system acquisition and operation contract with Kompogas SLO LLC (“SLO”), a subsidiary of Hitachi Zosen Inova, entered into on July 21, 2021. Under the contract, the Company is to design, construct and commission a HTP system for processing anaerobic digestate into green hydrogen and biocarbon at SLO’s facility in San Luis Obispo, California, and provide related technical and commercial services, including arranging of hydrogen and biocarbon offtake agreements. The HTP system will be owned by the Company and operated at SLO for a term of 5 years from the date of acceptance at an annual rent of USD $1. SLO has an option to purchase the HTP system at any time after the first year of operation. If the purchase option is exercised, the Company is required to assign the hydrogen and biochar offtake agreements to SLO and continue to market the hydrogen and biocarbon on a commission basis.

The Company has committed to building, owning and operating a woody biomass plant in Thorold, Ontario to process woody biomass into renewable energy (note 17).

As at June 30, 2024, both the SLO project and the Thorold project were under construction, with an aggregate asset under construction recorded at $10,199,000.

(Expressed in Canadian Dollars)

6. Right-of-use Assets

Cost	Vehicles	Equipment	Office space and land	Total
Balance, September 30, 2022	**$ 84,971**	**-**	**$ 137,159**	**$ 222,130**
Additions	54,779	-	1,273,483	1,328,262
Balance, September 30, 2023	**$ 139,750**	**-**	**$1,410,642**	**$1,550,392**
Additions	26,638	264,452	179,648	470,738
Balance, June 30, 2024	**$ 166,388**	**$ 264,452**	**$1,590,290**	**$2,021,130**

Accumulated depreciation	Vehicles	Equipment	Office space and land	Total
Balance, September 30, 2022	**$ 65,611**	**-**	**$ 113,014**	**$ 178,625**
Additions	17,171	-	132,570	149,741
Balance, September 30, 2023	**$ 82,782**	**-**	**$ 245,584**	**$ 328,366**
Additions	18,695	28,981	136,495	184,170
Balance, June 30, 2024	**$ 101,477**	**$ 28,981**	**$ 382,079**	**$ 512,536**

Net book value	Vehicles	Equipment	Office space and land	Total
Balance, September 30, 2023	**$ 56,968**	**-**	**$1,165,058**	**$1,222,026**
Balance, June 30, 2024	**$ 64,911**	**$ 235,471**	**$1,208,211**	**$1,508,594**

(Expressed in Canadian Dollars)

7. Intangible Assets and Goodwill

Cost		Technology License		Purchased Technology		Patents		Customer Relationships		Proprietary Design		Total
Balance, September 30, 2022	**$**	**4,352,054**	**$**	**1,180,000**	**$**	**22,195**	**$**	**42,000**	**$**	**20,197**	**$**	**5,616,446**
Additions		-		-		-		-		-		8,220
Write down of intangible asset		(1,148,34)		-		-		-		-		(1,148,341)
Balance, September 30, 2023	**$**	**3,203,713**	**$**	**1,180,000**	**$**	**30,415**	**$**	**42,000**	**$**	**20,197**	**$**	**4,476,325**
Additions		-		-		-		-		-		-
Balance, June 30, 2024	**$**	**3,203,713**	**$**	**1,180,000**	**$**	**30,415**	**$**	**42,000**	**$**	**20,197**	**$**	**4,476,325**

Accumulated depreciation		Technology License		Purchased Technology		Patents		Customer Relationships		Proprietary Design		Total
Balance, September 30, 2022	**$**	**1,528,083**	**$**	**767,000**	**$**	**4,417**	**$**	**39,860**	**$**	**2,524**	**$**	**2,341,884**
Additions		1,223,135		118,000		2,835		2,140		2,020		1,348,132
Balance, September 30, 2023	**$**	**2,751,218**	**$**	**885,000**	**$**	**7,252**	**$**	**42,000**	**$**	**4,544**	**$**	**3,690,014**
Additions		452,495		88,500		2,281		-		1,515		544,791
Balance, June 30, 2024	**$**	**3,203,713**	**$**	**973,500**	**$**	**9,533**	**$**	**42,000**	**$**	**6,059**	**$**	**4,234,805**

Net book value		Technology License		Purchased Technology		Patents		Customer Relationships		Proprietary Design		Total
Balance, September 30, 2023	**$**	**452,495**	**$**	**295,000**	**$**	**23,163**	**$**	**-**	**$**	**15,653**	**$**	**786,311**
Balance, June 30, 2024	**$**	**-**	**$**	**206,500**	**$**	**20,882**	**$**	**-**	**$**	**14,138**	**$**	**241,520**

During the year ended September 30, 2021, the Company signed an exclusive technology licensing agreement (“the Agreement”) with Actinon PTE LTD, “Actinon” the parent company of CHAR Tech's principal kiln technology supplier, Anergy Pte Ltd. (“Anergy”). CHAR Tech had the technology rights to all the equipment intellectual property, including patents and designs. The effective date of the Agreement is July 1, 2021, and is effective for 3 years. Pursuant to the exclusive license agreement, the Company was obligated to make minimum advance royalty payments of US$3,000,000, over the first 3 years.

7. Intangible Assets and Goodwill (continued)

The minimum royalty payment required is US$500,000 in year 1, US$1,000,000 in year 2 and US$1,500,000 in year 3. The payments for the first three years of the Agreement are to be paid as follows: US$750,000 in 2021 and US$2,250,000 paid in 2022. The Company paid Actinon US$750,000 during the year end September 30, 2021, and USD$1,253,502 during the year ended September 30, 2022. These payments covered the first two years of the contract and part of year three that ends on September 30, 2024. The amount of $3,669,408 royalty payments was recorded as an intangible asset in the consolidated statements of financial position as at September 30, 2021. The Company has accrued liabilities of $898,343 related to the Agreement as of June 30, 2024 (note 8), for royalties payable.

The contract was terminated by both parties effective July 1, 2023. As a result, the Company would have approximately $675,000 USD outstanding to complete the payment for the initial 3-year contract term, if deemed necessary. This financial liability is reflected in the consolidated financial statements, under accounts payable and accrued liabilities, representing the net balance after accounting for the accrued liabilities related to the years where amounts were accrued but CHAR no longer has to pay due to the terms of the agreement. The liability is netted against these accrued balances, indicating the outstanding obligation amidst the contract termination. This adjustment reflects the uncertainty regarding the enforceability of the remaining payment, given the early termination of the contract and the partial fulfillment of the original payment terms. Additionally, the intangible asset has been written down during fiscal year 2023 by $1,148,341, which is the same amount by which the financial liability has been reduced in fiscal year 2023.

Goodwill

On January 1, 2018, the Company acquired all outstanding shares of the Altech Group (“Altech”). The acquisition was accounted for as a business combination and a goodwill of $1,122,619 was recorded during the year ended September 30, 2018.

During 2023, the Company tested the Company’s Cash-Generating Unit ("CGU") related to the goodwill above for impairment and estimated the recoverable amount of the Altech CGU. The recoverable amount was estimated based on its value in use, which was determined using an after-tax weighted cost of capital (WACC) of 20%, a growth rate of 20% for 2024, 42% for 2025, 29% for 2026, 15% for 2027, 10% for 2028 and 2% thereafter. The recoverable value of the CGU was estimated to be higher than its carrying value. The Company completed a sensitivity analysis on the WACC +/-1% and there was no impairment. The carrying value of the goodwill as at June 30, 2024 is $652,916 (2023: $652,916).

(Expressed in Canadian Dollars)

8. Accounts Payable and Accrued Liabilities

	As at June 30, 2024 $	As at September 30, 2023 $
Trade accounts payable (note 15)	**3,735,434**	1,440,554
Royalties payable (note 7)	**898,344**	898,343
Accrued liabilities	**209,882**	162,120
Total accounts payable and accrued liabilities	**4,843,661**	2,501,017

9. Loans Payable

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

During the year ended September 30, 2020, the Company obtained two Canada Emergency Business Account (“CEBA”) loans from TD Bank, for $60,000 each (“the CEBA loans”). The terms of the loan are as follows: principal $60,000, interest rate: 0% per annum during Initial Term and 5% during Extended Term, Initial Term date: December 31, 2023, Extended Term date: December 31, 2025, First Interest Payment date: January 31, 2023.

During the year ended September 30, 2021, the Company obtained two additional CEBA loans from TD Bank, for $20,000 each (“the CEBA loans”). The terms of the loan are as follows: principal $20,000, interest rate: 0% per annum during Initial Term and 5% during Extended Term, Initial Term date: December 31, 2023, Extended Term date: December 31, 2025

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

On September 29, 2022, the Federal Economic Development Agency for Southern Ontario (“FedDev”) and CHAR Tech entered into a Contribution Agreement, under the Jobs & Growth Fund (JGF), where the Ministry of Economic Development, Job Creation and Trade will make a repayable Contribution to CHAR Tech in respect to the Thorold Project for 50% of eligible costs, starting from the date of April 19, 2021, up to $1,500,000.During the year ended September 30, 2023, the Company received $1,350,000 under the Contribution Agreement above. The Loan is recorded in the interim condensed consolidated financial statements as a long-term liability, discounted at an interest rate of 4.87% and a present value of $1,246,675. The total accretion for the quarter ended June 30, 2024 is $8,254.

(Expressed in Canadian Dollars)

9. Loans Payable (continued)

On April 20, 2022, the Minister of Economic Development, Job Creation and Trade and CHAR Tech entered into a Conditional Loan Agreement, under the Forest Sector Investment and Innovation Program ("FSIIP"), where the Minister will make a non-revolving loan in the maximum amount of $6,438,168 for the Thorold Project. The Repayments of principal and interest will start after the third year of the Agreement. The interest rate is 4.87%. The Loan does not bear interest on the first three years and no principal payments are due over this period as long as there are no material defaults under the Agreement. During the year ended September 30, 2023, the Company received $1,287,634 under the Contribution Agreement above. The Loans are recorded in the Financial Statements as a long-term liability. The Loan is recorded in the Financial Statements as a long-term liability, discounted at an interest rate of 4.87% and a present value of $1,078,623. The total accretion for the quarter ended June 30, 2024, is $12,598.

	As at June 30, 2024 $	As at September 30, 2023 $
CEBA Loan	**120,000**	120,000
RRRF Loan	**94,542**	112,613
Dodge Caravan loan	**-**	2,457
FedDev	**1,246,675**	1,222,564
FSSIP	**1,078,623**	1,041,222
Total Loans Payable	**2,539,840**	2,498,856
Less Current Portion	**25,244**	32,136
Non-current Portion Loans Payable	**2,514,595**	2,466,720

During the year ended September 30, 2020, the Company obtained a loan for the purchase of a vehicle. The table below is a summary of the continuity of the loan as of June 30, 2024:

Balance, September 30, 2023	**$**	**2,457**
Repayments		(1,680)
Balance, June 30, 2024	**$**	**777**
Current portion at June 30, 2024	**$**	**777**
Non-current portion at June 30, 2024	$	-

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

(Expressed in Canadian Dollars)

10. Lease Liabilities

The Company entered into a lease effective July 1,2022 or when the facility could be occupied for its 17,000 square foot production facility in Thorold, Ontario. The term of the lease is five years with two additional options to renew of 5 years each. The annual basic rent for the first year is $153,000 for the building and $50,094 for the land area. The lease liabilities reflect the present value of the lease payments.

On June 19, 2023, the Company entered into a three-year office lease commencing on November 1, 2023. The lease is the office where the Company is currently located in 895 Don Mills Road, Toronto. The term of the new lease expires on October 30, 2026, with a total commitment of payments of $212,802 and it requires monthly lease payments of approximately $5,700.

On November 23, 2023, the Company entered into a six-year equipment lease commencing on November 23, 2023. The lease is for a wheel loader located at the Thorold plant. The lease required a downpayment of $22,050 and expires on November 23, 2029, with a total commitment of payments of $288,481 and it requires monthly lease payments of $3,952.

On December 8, 2023, the Company entered into a four-year vehicle lease commencing on December 8, 2023. The lease expires on November 8, 2027, with a total commitment of payments of $33,600 and it requires monthly lease payments of $700.

The table below is a summary of the continuity of the lease liabilities as of June 30, 2024:

	Office Space and land
Balance, September 30, 2023	**$1,249,947**
Additions	179,648
Accretion	118,104
Repayments	(202,053)
Balance, June 30, 2024	**$1,345,645**

	Vehicles
Balance, September 30, 2023	**$ 58,268**
Additions	26,638
Accretion	3,188
Repayments	(21,371)
Balance, June 30, 2024	**$ 66,723**

(Expressed in Canadian Dollars)

10. Lease Liabilities (continued)

	Equipment
Balance, September 30, 2023	**$ -**
Additions	242,401
Accretion	9,148
Repayments	(31,614)
Balance, June 30, 2024	**$ 219,935**
Current portion at June 30, 2024	**$ 194,417**
Non-current portion at June 30, 2024	**$1,437,886**

Future commitments for lease Payments

At June 30, 2024, the future minimum lease payments under leases were payable as follows:

One year	**358,775**
Between one year and five years	1,252,902
More than five years	752,407
Total Commitments	**$2,364,084**

11. Share Capital

(a) Authorized share capital

Unlimited number of common shares, with no par value.

(Expressed in Canadian Dollars)

11. Share Capital (continued)

(b) Issued common shares

	Number of Shares	Amount $
Balance, September 30, 2022	**83,003,165**	**15,255,158**
Common shares issued for cash (i)	11,000,000	6,600,000
Unit warrants (i)	-	(834,829)
Share issuance costs-cash	-	(212,903)
Shares issued on exercises of stock options (note 13)	600,000	132,000
Shares issued on exercise of unit warrants	4,504,385	1,999,532
Shares issued on exercise of broker warrants	935,067	309,424
Shares issued on exercise of RSUs	67,913	-
Fair value of RSUs exercised	-	30,561
Fair value of stock options exercised	-	99,000
Fair value of broker warrants exercised	-	193,148
Fair value of unit warrants exercised	-	436,149
Balance, September 30, 2023	**100,110,530**	**24,007,240**
Share issuance costs-cash	-	
Shares issued on exercises of stock options (note 13)	680,727	111,710
Shares issued on exercise of RSUs	559,671	-
Fair value of RSUs exercised	-	388,194
Fair value of stock options exercised	-	93,790
Balance, June 30, 2024	**101,350,928**	**24,600,933**

(i) In July 4, 2023, the Company issued 11,000,000 units (each, a "Unit") to ArcelorMittal by way of private placement at a price of CAD$0.60 per Unit, for aggregate cash consideration of CAD$6,600,000, with each Unit comprised of one common share in the capital of the Company (each, a "Common Share") and one-quarter of one non-transferrable Common Share purchase warrant (each whole warrant, a "Warrant") (collectively, the "Offering"). Each Warrant is exercisable for one Common Share at an exercise price of CAD$0.70 per share for a period of 24 months. Prior to the Offering, ArcelorMittal did not own or have control over any securities of CHAR, and following completion of the Offering, ArcelorMittal holds approximately 10.98% of the Company's Common Shares on a non-diluted basis. ArcelorMittal is acquiring the Units for investment purposes. In the future, ArcelorMittal may, from time to time, increase or decrease its investment in CHAR through market transactions, private arrangements, treasury issuances or otherwise. The fair value of the warrants was 834,829 and valued using Black Scholes method with a share price of 0.69, exercise price of 0.7, a risk-free rate of 4.63% and a volatility of 78%.

(Expressed in Canadian Dollars)

11. Share Capital (continued)

(b) Issued common shares (continued)

The following table reflects the continuity of unit warrants for the periods presented:

	Number of Unit Warrants	Exercise Price
Balance, September 30, 2022	**14,402,716**	
Warrants from Units	2,750,000	$0.60
Unit warrants exercised	(3,515,494)	$0.40
Unit warrants exercised	(988,891)	$0.60
Unit warrants expired	(4,449,856)	$0.60
Unit warrants expired	(5,448,475)	$0.40
Balance, September 30, 2023	**2,750,000**	
Balance, June 30, 2024	**2,750,000**	

The average share price of the Company stock on the dates of exercise of the warrants was $0.62. (2022: $0.65)

	Number of Broker Warrants	Exercise Price
Balance, September 30, 2022	**1,270,439**	
Broker warrants exercised	(935,067)	$ 0.40
Broker warrants expired	(335,372)	$0.60
Balance, September 30, 2023	**-**	
Balance, June 30, 2024	**-**	

(Expressed in Canadian Dollars)

12. Net Loss per Share

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

		Nine Months Ended June 30, 2024		2023
Numerator				
Net loss	$	**(1,313,591)**	$	**(1,928,450)**
Denominator				
Weighted average number of common shares				
-basic		**100,712,524**		**88,036,404**
-diluted		**100,712,524**		**88,036,404**
Net loss per share - basic	$	**(0.01)**	$	**(0.02)**

13. Stock Options, Restricted Share Units, and Share Appreciation Rights

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

	Number of Stock Options	Weighted Average Exercise Price ($)
Balance, September 30, 2022	**5,676,200**	**0.25**
Granted (i)	4,031,391	0.54
Exercised	(600,000)	0.22
Expired	(448,032)	0.25
Balance, September 30, 2023	**8,659,559**	**0.46**
Granted (ii)	2,204,372	0.42
Exercised	(680,727)	0.16
Expired	(1,095,792)	-
Balance, June 30, 2024	**9,087,412**	**0.47**

(i) On November 15, 2022, the Company granted 40,000 stock options to a consultant of the Company. The stock options may be exercised for a period of five years at a price of $0.36 per share. These stock options vest immediately. The fair value of the options was $12,958 recorded using the Black-Scholes model with a share price of $0.36, exercise price of $0.36, volatility of 143% and a risk-free rate of 3.35%.

On February 6, 2023, the Company granted 1,991,391 stock options to directors, officers, employees, and consultants of the Company. The stock options may be exercised for a period of five years at a price of $0.4125 per share. These stock options vest as follows: 1,072,641 stock options immediately, 93,750 on quarterly milestones, 775,000 on year-end milestones and 50,000 on performance milestones. The fair value of the options was $731,726 recorded using the Black-Scholes model with a share price of $0.4125, exercise price of $0.4125, volatility of 140% and a risk-free rate of 2.82%.

13. Stock Options, Restricted Share Units, and Share Appreciation Rights (continued)

On February 22, 2023, the Company granted 1,000,000 stock options to a consultant of the Company. The stock options may be exercised for a period of five years at a price of $0.66 per share. These stock options vest immediately. The fair value of the options was $587,089 recorded using the Black-Scholes model with a share price of $0.66, exercise price of $0.66, volatility of 139% and a risk-free rate of 2.82%.

On April 25, 2023, the Company granted 500,000 stock options to a consultant of the Company. 250,000 stock options may be exercised for a period of five years at a price of $0.75 per share. 250,000 stock options may be exercised for a period of five years at a price of $1.00 per share. These stock options vest as follows: 250,000 vests on performance milestones and 250,000 vest on performance milestones. The fair value of the options was $307,226 recorded using the Black-Scholes model with a share price of $0.67, exercise price of $0.75, volatility of 136% and a risk-free rate of 2.85%.

On September 29, 2023, the Company granted 500,000 stock options to a consultant of the Company. 500,000 stock options may be exercised for a period of three years at a price of $0.50 per share. These 500,000-stock options vest in six equal monthly tranches commencing on October 1, 2023. The fair value of the options was $162,343 recorded using the Black-Scholes model with a share price of $0.52, exercise price of $0.50, volatility of 95% and a risk-free rate of 4.10%.

On December 20, 2023, the Company granted 988,213 stock options to employees and consultants of the Company. The stock options may be exercised for a period of five years at a price of $0.42 per share. These stock options vested: 732,999 stock options; 25% January 1st, 2024, 25% July 1st, 2024, 25% January 1st, 2025, 25% July 1st, 2025. 155,214 vests on performance milestones and time, 25% January 1st, 2025, 25% July 1st, 2025, 25% January 1st, 2026, 25% July 1st, 2026. 50,000 stock options vest equally over the next 6 months, and 50,000 stock options vests in 6 months and on performance. The fair value of the options was $311,421 recorded using the Black-Scholes model with a share price of $0.45, exercise price of $0.42, volatility of 124% and a risk-free rate of 3.43%.

On April 16, 2024, the Company granted 1,116,159 stock options to directors, officers, employees, and consultants of the Company. The stock options may be exercised for a period of five years at a price of $0.42 per share. These stock options vested as follows: 321,500 stock options vested immediately; 352,192 options vest after 12 months and subject to performance criteria. 451,567; 25% after 12 months, 25% after each subsequent 12 months. The fair value of the options was $321,585 recorded using the Black-Scholes model with a share price of $0.35, exercise price of $0.42, volatility of 121% and a risk-free rate of 3.54%.

(Expressed in Canadian Dollars)

13. Stock Options, Restricted Share Units, and Share Appreciation Rights (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2024:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
January 30, 2025	$0.115	0.60	675,000	675,000	-
January 29, 2026	$0.49	0.75	931,000	931,000	-
March 31, 2026	$0.72	1.75	150,000	150,000	-
April 5, 2026	$0.72	1.76	80,000	80,000	-
July 21, 2026	$0.52	2.06	75,000	75,000	-
September 28, 2026	$0.50	2.25	500,000	500,000	-
March 17, 2027	$0.45	2.71	1,377,688	1,377,688	-
November 15, 2027	$0.36	3.38	40,000	40,000	-
February 6, 2028	$0.41	3.61	1,656,770	1,656,770	-
February 22, 2028	$0.66	3.65	1,000,000	1,000,000	-
April 25, 2028	$0.75	3.82	250,000	250,000	-
April 25, 2028	$1.00	3.82	250,000	250,000	-
December 20, 2028	$0.42	4.48	985,815	252,816	802,564
April 19, 2029	$0.42	4.80	1,116,159	312,500	803,659
	$0.52	**3.16**	**9,087,412**	**7,481,188**	**1,789,474**

<u>Restricted Share Units (“RSUs”)</u>

The following table reflects the actual restricted share units issued and outstanding as of June 30, 2024:

Grant Date	Number of RSU Outstanding	Number of RSU Vested (exercisable)	Number of RSU Unvested
August 31, 2021	541,100	541,100	-
March 17, 2022	151,096	151,096	-
May 26, 2022	12,500	12,500	-
November 15, 2022	40,000	40,000	-
February 6, 2023	600,675	600,675	-
June 19, 2023	35,453	-	35,453
December 20, 2023	460,034	-	460,034
April 16, 2024	968,933	174,020	794,913
	2,809,790	**1,519,390**	**1,290,340**

On November 15, 2022, the Company granted 40,000 RSUs to an employee of the Company that vested immediately. The Fair Value of the RSUs was $14,400.

13. Stock Options, Restricted Share Units, and Share Appreciation Rights (continued)

Restricted Share Units ("RSUs") (continued)

On February 6, 2023, the Company granted 712,114 RSUs to employees and consultants of the Company that vest in one year. The fair value of the RSUs was $306,209. During the year, 47,500 RSUs were cancelled.

On June 19, 2023, the Company granted 35,453 RSUs to employees of the Company that vest in one year. The fair value of the RSUs was $24,463.

During the year ended September 30, 2023, a total of 67,913 RSUs were converted into shares and 68,907 were cancelled or expired.

On December 20, 2023, the Company granted a total of 485,342 RSUs to employees, and consultants of the Company. The RSUs may be exercised for a period of five years.

On April 16, 2024, the Company granted a total of 968,933 RSUs to employees, directors and consultants of the Company. The RSUs may be exercised for a period of five years

During the Nine Months Ended June 30,2024, a total of 559,671 RSUs were exercised by officers and employees of the Company.

Share Appreciation Rights ("SARs")

On August 31, 2021, the Company granted 480,000 SARs to an officer of the Company. The SARs may be exercised for a period of five years at a strike price of $0.72 per share. The SARs are vested as follows: 160,000 immediately, 160,000 on August 31, 2022, and 160,000 on August 31, 2023.

On April 16, 2024, the Company granted a total of 100,000 SARs to an officer of the Company. The SARs may be exercised for a period of five years at a strike price of $0.42 per share. The SARs are vested immediately.

Share-based payment reserve

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

During the quarter ended June 30, 2024, the Company recognized $535,028 (2023: $1,297,287) share-based payments for options, RSUs and SARs vested during the year.

14. Capital Management

The Company includes equity, which is comprised of share capital and working capital, in its definition of capital. The Company's objective when managing capital is to safeguard its 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 and there were no changes to its capital management approach. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and debt or by securing strategic partners.

15. Financial Instruments and Risk Management

The Company's financial instruments consist of cash, accounts receivable, accounts payable and loans payable.

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's cash is measured using level 1 inputs.

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.

Credit Risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The risk related to cash is managed through the use of a major financial institution which has high credit quality as determined by the rating agencies. Accounts receivable mainly consists of receivables from its customers and have historically been subject to very few bad debts. Credit risk is assessed as low.

Interest rate risk
Interest rate risk is the risk that 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. Interest rate risk is assessed as low.

Liquidity risk
Liquidity risk is the risk that the Company may not be able to settle its obligations as they fall due. To manage liquidity requirements, the Company strategically plans its cash flows to ensure sufficient capital is available to meet both short-term and long-term obligations. As of June 30, 2024, the Company had cash of $274,830 and GICs totaling $1,245,004 to cover current liabilities of $4,753,271. The Company is actively exploring additional funding sources, with a focus on project level funding opportunities, over the next 12 months.

Foreign exchange risk
A portion of Char's revenues are denominated in US dollars. As such, the Company's results of operations are subject to foreign currency fluctuation risks and these fluctuations may adversely affect the financial position and operating results of the Company. As of June 30, 2024, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. The foreign exchange risk is assessed as low.

(Expressed in Canadian Dollars)

16. 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:

Fees for services charged by the related parties are as follow:

	Nine Months Ended June 30,	
	2024	2023
	$	$
DSA Corporate Services ("DSA") (i) – corporate services	8,378	8,538
1456087 Ontario Inc. ("1456087") (ii) - consulting	110,500	96,000
Mark Korol, CFO (iii) – management & consulting fees	90,000	115,200

(i) DSA is affiliated with MSSI through a common officer. DSA provides corporate secretarial services. As at June 30, 2024, DSA was owed $970 (September 30, 2023 - $1,610). These amounts are included in accounts payable and accrued liabilities.

(ii) 1456087 is a company controlled by James Sbrolla, a director of the Company. 1456087 provides consulting services to the Company. As at June 30, 2024, 1456087 was owed $11,300 (September 30, 2023 - $nil).

(iii) Mark Korol was appointed Chief Financial Officer as of April 1, 2020. As at June 30, 2024, Mark Korol was owed $nil (September 30, 2023 - $nil). Mark Korol ceased to be the CFO on November 20, 2023.The fees charged during the year are for management and consulting fees.

At June 30, 2024, accounts payable balance due to related parties consist of $101,250 (September 30, 2023: $165,625) owed to Directors and Officers of the Company. These amounts are unsecured, non-interest bearing and due on demand (note 8).

As at June 30, 2024, included in receivables is an amount of $307,313 (September 30, 2023: $342,314) related to loans extended to officers of the Company (note 3).

Remuneration of key management of the Company was as follows:

	Nine Months Ended June 30,	
	2024	2023
	$	$
Salaries	548,538	357,578

(Expressed in Canadian Dollars)

16. Related Party Balances and Transactions (continued)

The Company Board of Directors compensation during the quarter ended June 30, 2024, was as follows:

	Nine Months Ended June 30, 2024 $	Nine Months Ended June 30, 2023 $
William White	**16,875**	16,875
James Sbrolla	**15,000**	15,000
Nikita Nanos	**16,875**	15,000
Hugh Cleland	**15,000**	15,000
Anton Szpitalak	**15,000**	-
Eric Beutel	**-**	11,250
Jane Pagel	**-**	10,000
Benj Gallander	**-**	10,000
Paul Pellegrini	**-**	10,000

17. Commitments

The Company has committed to build a system under a build, own, operate and transfer model for the SLO anaerobic digestate facility in California (note 5).

The Company has commitments to build, own, and operate a plant in Thorold, Ontario (note 5). The Thorold project has commitments for government support of $12,876,335 as at June 30, 2024.

The Thorold facility and the SLO system, in aggregate are projected to cost approximately $50,000,000.

18. Subsequent Events

Management Changes: On July 12, 2024, the company announced changes in the senior management team, including the appointment of Anton Szpitalak as the new Chief Development Officer and the departure of Lewis Smith (Chief Commercial Officer) and Robert Sinyard (Chief Operating Officer).

Loan Agreements: On July 16, 2024, the company entered into loan agreements with lenders for a total amount of CAD $850,000, repayable within 90 days. This loan will be used for short-term working capital purposes, and the lenders include existing shareholders and current and former directors, executive officers, business associates, and employees.

Issuance of Bonus Warrants: As part of the loan agreements, the company agreed to issue 850,000 non-transferable share purchase warrants, each exercisable into one common share at a strike price of CAD $0.38 per share for a period of one year.

Government Reimbursement Program: The company is in the process of completing its claims for a portion of the previously announced $6.6 million allocation from a government reimbursement program.

18. Subsequent Events (continued)

As previously press released on July 4th, 2023, on August 28th, 2022, CHAR Biocarbon Inc. (“CHAR Biocarbon”), a wholly owned subsidiary of the Company, served advanced written notice to terminate its Exclusive License Agreement with Actinon Pte. Ltd (the parent company of Anergy Pte. Ltd, a Singapore based supplier of kiln equipment to the Company) dated August 18th, 2021 (the “License Agreement”). On June 30th, 2023, CHAR Biocarbon received a notice of immediate termination effective July 1st, 2023, in respect of, and an allegation of additional license fees owing under, the license agreement. Subsequently, CHAR Biocarbon has received a claim from Actinon Pte Ltd in respect of the foregoing. The Company views the claim as frivolous unparticularized damages, continues to vigorously dispute Actinon’s claim of additional license fees owing under the license agreement, and will take such action as it deems appropriate to protect its rights and interest. All options are being considered and CHAR Biocarbon will respond in due course.

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