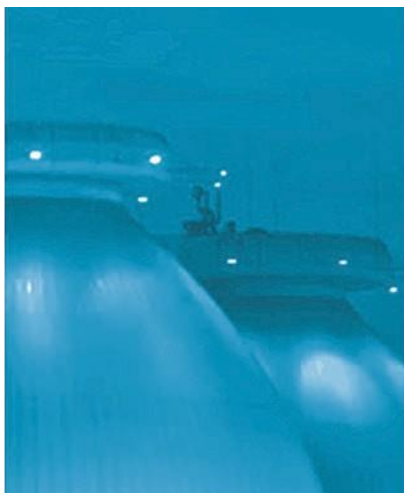




Decarbonizing for a Circular Economy
through Advanced Design, Technology
and Environmental Services.



Q1 REPORT 2023



INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operation of CHAR Technologies Ltd. (the "Company" or "CHAR") should be read in conjunction with CHAR's audited consolidated financial statements and notes thereto as at and for the years ended September 30, 2022, and 2021.

The Company's audited consolidated financial statements and the financial information contained in the MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34. Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial reporting Standards ("IFRS") may have been omitted or condensed. These unaudited consolidated Interim financial statements were prepared using the same accounting policies and methods as those used in the audited consolidated financial statements of the Company for the year ended September 30, 2022, unless otherwise indicated, and they should be read in conjunction with those financial statements.

Results are reported in Canadian dollars, unless otherwise noted.

Information contained herein is presented as of February 27, 2023, unless otherwise indicated. These unaudited consolidated interim financial statements were approved for insurance by the Board of Directors on February 27, 2023.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the “Board”), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at www.sedar.com.



OUR BUSINESS

CHAR is a cleantech development and services company, specializing in high temperature pyrolysis, converting woody materials and organic waste into renewable gases (renewable natural gas and green hydrogen) and biocarbon (activated charcoal “SulfaCHAR” and solid biofuel “CleanFyre”). Additional services include custom equipment for industrial water treatment, and providing services in environmental compliance, environmental management, site investigation and remediation, engineering and resource efficiency.

The Company continues to be listed on the Exchange trading under the symbol YES.V. The Company’s head office address is 789 Don Mills Road, Suite 403, Toronto, Ontario, M3C 1T5.

CHAR has three operating groups: CharTech Solutions, CHAR Biocarbon and Altech Environmental Consulting.

OPERATIONS

CHAR continues to focus on commercial opportunities to deploy CHAR's pyrolysis process, used to produce various biocarbons, including SulfaCHAR utilizing low value or waste streams as feedstock, including woody biomass, compost and biosolids. The Company is focused on both systems sales as well as owning and operating systems.

On September 29th, the Federal Economic Development Agency for Southern Ontario ("FedDev") and CHAR entered into a contribution agreement, in respect to the Thorold Project of up to \$1,500,000. During the first quarter ending December 31, 2022, the Company has received FedDev Agency funding of \$496,491 in respect to the costs incurred up to September 30, 2022. After the quarter ending December 31, 2022, the Company has received additional funding of \$341,336 in respect to the costs incurred up to December 1, 2022,

The Company has received the three tranches of funding from the SD Natural Gas Fund (supported by Sustainable Development Technology Canada ("SDTC") and the Canadian Gas Association ("CGA") to execute on a project to build and operate a 1-tonne per day pyrolysis system to produce biocarbon, which allowed the company to produce commercial quantities of SulfaCHAR. Commissioning was completed and operation began in the first quarter of fiscal 2019. The SD Natural Gas Fund provided a \$750,000 non-repayable grant toward the project from SDTC and the CGA. In addition, the Ontario Centres of Excellence is provided a \$1,000,000 non-repayable grant toward the project following the same milestones and payment schedules as the SD Natural Gas Fund which the Company has adhered to.

In October 2018, the Company initially announced that it had successfully commissioned the pyrolysis equipment used to produce biocarbons, including SulfaCHAR. The system has been operational for two years and is producing commercial quantities of SulfaCHAR and pilot quantities of CleanFyre. The system has showcased the Company's proprietary pyrolysis technology using various waste streams to create quality byproducts. The Company is now confident it is able to move forward and move into the commercial phase for HTP systems.

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

CORPORATE HIGHLIGHTS

Private placements

In March 2022, CHAR completed a non-brokered private placement whereby the Company issued 10,877,514 units at a price of \$0.45 per unit for gross proceeds of \$4,894,881. Each unit is comprised of one common share and one half of a warrant exercisable at \$0.60 within eighteen months.

In February 2021, the Company completed a non-brokered private placement whereby the Company issued 18,461,538 units at a price of \$0.325 per unit for gross proceeds of \$6,000,000. Each unit is comprised of one common share and one half of a warrant exercisable at \$0.40 within two years.

In October 2020, the Company completed a small private placement for 6,950,000 common shares at a price of \$0.10 for gross proceeds of \$695,000. The proceeds are intended to be used for technology commercialization and working capital purposes.

Stock option grants – update option grants (RSU's, SAR's, Long Term Incentive Program)

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. The stock options vested immediately.

On November 15, 2022, the Company granted 39,999 RSUs to a consultant of the Company.

On May 26, 2022, the Company granted 12,500 RSUs to an employee of the Company.

On March 18th, 2022, Char granted 1,819,076 stock options to employees, directors, consultants, and officers of the Company. The stock options may be exercised for a period of five years at a price of \$0.45. The Board of Directors approved 198,948 RSU's which vest on time and performance over the following twelve months. The RSU's have a term of five years.

On January 29, 2021, the Company granted 1,333,000 stock options to directors, officers, employees, and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.49 per share. These stock options vest as follows: 672,500 stock options vested immediately, 580,500 stock options vest based on the achievement of specific performance criteria and EBITDA milestones and 80,000 vest over one year. On March 31, 2021, grants were made for 150,000 that vested immediately. In addition, on April 5, 2021, further grants were made for 95,000 options. These stock options vest as follows: 35,000 stock options vested immediately and 60,000 stock options vest over one year. On July 21, another 75,000 stock options were granted to a consultant of the Company. These stock options may be exercised for a period of five years at a strike price of \$0.52 per share and vest quarterly over one year.

On August 31, 2021, the Company granted 1,039,559 RSUs to officers and employees of the Company. The RSUs may be exercised for a period of five years.

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.

On January 30, 2020, the Company granted 930,000 stock options to officers, directors, employees, and consultants of the Company at a strike price of \$0.115. On February 27th, 2020, the Company issued 100,000 options to an officer at a strike price of \$0.15. On April 1st, 2020, the Company issued 160,000 options to a new officer at a strike price of \$0.075 followed by a grant of 50,000 options on July 1, 2020, at \$0.105 to a new director. All the options granted during the fiscal year have an exercise period of five years from the date of the grant.

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

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

TRENDS

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Volatile capital markets present a challenge for equity financings. However, as conditions continue to improve, opportunities will likely present themselves for equity financings. Apart from these and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, commitments, events, or uncertainties that would have a material effect on the Company's business, financial condition, or results of operations. See "Risk Factors" below.

Selected Quarterly Financial Information

	Quarter Ended December 31, 2022 (\$)	Quarter Ended December 31, 2021 (\$)	Quarter Ended December 31, 2020 (\$)
Revenue	498,801	312,189	319,970
Net loss	(951,788)	(1,463,918)	(194,470)
Net loss per share – basic and diluted	(0.01)	(0.02)	(0.00)

	As at December 31, 2022 (\$)	Quarter Ended December 31, 2021 (\$)	Quarter Ended December 31, 2020 (\$)
Total assets	12,015,271	8,523,405	3,817,836
Total liabilities	8,086,837	4,211,126	2,009,256

Quarter End Period	Net income or (loss)			
	Revenue (\$)	Total (\$)	Basic and diluted income (loss) per share (\$)	Total Assets (\$)
December 31, 2022	498,801	(951,788) ⁽¹⁾	(0.01)	12,015,271
September 30, 2022	322,479	(2,185,240) ⁽²⁾	(0.03)	9,949,370
June 30, 2022	363,653	(1,424,925) ⁽³⁾	(0.02)	10,204,379
March 31, 2022	461,121	(1,830,270) ⁽⁴⁾	(0.02)	11,879,781
December 31, 2021	312,189	(\$1,463,918) ⁽⁵⁾	(0.02)	8,523,405
September 30, 2021	358,605	(1,635,742) ⁽⁶⁾	(0.05)	10,322,759
June 30, 2021	375,988	(925,702) ⁽⁷⁾	(0.01)	8,481,829
March 31, 2021	323,444	(505,913) ⁽⁸⁾	(0.01)	9,083,916
December 31, 2020	319,970	(194,470) ⁽⁹⁾	(0.00)	3,817,836
September 30, 2020	278,634	(12,087) ⁽¹⁰⁾	(0.00)	3,408,115
June 30, 2020	351,193	(205,570) ⁽¹¹⁾	(0.01)	3,601,453
March 31, 2020	534,343	(326,313) ⁽¹²⁾	(0.01)	3,775,859

- 1) Net Loss of 951,788 consisted of professional fees of \$243,182, \$112,590 of depreciation, \$340,957, \$743,718 of office expenses, \$148,848 of R&D expenses, non-cash share based expenses of \$182,398, offset by grant income of \$606,695 and Gross Profit of \$219,713.
- 2) Net loss of \$2,185,240 consisted of \$422,712 of professional fees, \$111,537 of depreciation, \$341,796 of amortization, \$853,651 of office expenses, \$63,623 of R&D, non-cash share-based expenses of \$646,648, offset by grant income of \$110,204 and \$134,645 of Gross Profit.
- 3) Net loss of \$1,424,925 consisted of \$343,971 of professional fees, \$112,174 of depreciation, \$337,606 of amortization, \$666,946 of office expenses, \$181,318 of R&D, offset by grant income of \$110,204 and \$164,865 of Gross Profit.
- 4) Net loss of \$1,830,270 consisted of \$347,043 of professional fees, \$109,758 of depreciation, \$334,255 of amortization, \$605,076 of office expenses, \$209,022 of R&D expenses and \$452,580 of payments, offset by Gross Profit of \$188,154.
- 5) Net loss of \$1,463,918 consisted of \$302,574 of professional fees, \$107,956 of depreciation, \$620,468 of office expenses offset by gross profit of \$154,346 and grant income of \$110,204.
- 6) Net loss of \$1,635,742 consisted of \$299,079 of professional fees, \$97,752 of depreciation, \$356,782 of office expenses offset by gross profit of \$213,985 and grant income of \$110,204.
- 7) Net loss of \$925,702 consisted of \$209,961 of professional fees, \$96,888 of depreciation, \$406,348 of office expenses offset by gross profit of \$160,441 and grant income of \$110,204.
- 8) Net loss of \$505,913 consisted of \$127,251 of professional fees, \$96,725 of depreciation, \$295,810 of office expenses offset by gross profit of \$162,859 and grant income of \$110,204.
- 9) Net loss of \$194,470 consisted of \$82,749 of professional fees, \$120,965 of depreciation, \$234,611 of office expenses offset by gross profit of \$171,976 and grant income of \$132,087.
- 10) Net loss of \$12,087 consisted of \$40,326 of professional fees, \$126,843 of depreciation \$153,489 of office expenses and other general working capital expenses offset by gross profit of \$216,984 and grant income of \$172,460.
- 11) Net loss of \$205,570 consisted of \$84,552 of professional fees, \$105,619 of depreciation \$162,046 of office expenses and other general working capital expenses offset by gross profit of \$173,405 and grant income of \$29,256.
- 12) Net loss of \$326,313 consisted of \$128,224 of professional fees, \$105,619 of depreciation \$345,005 of office expenses and other general working capital expenses offset by gross profit of \$219,378 and grant income of \$210,506.

DISCUSSION OF OPERATIONS

Quarter ended December 31, 2022 compared with the Quarter ended December 31, 2021.

The Company's net loss totaled \$951,788 for the quarter ended December 31, 2022, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$1,463,918 with basic and diluted loss per share of \$0.02 for the quarter ended December 31, 2021. The decrease in net loss of \$512,130 was principally because:

- During the quarter ended December 31st, 2022, the Company recognized \$606,695 of grant income compared to \$110,204, representing a positive change of \$496,491 over the previous year's quarter. The grant income recognized was related to the recent FED DEV program and to a lesser extent OCE and SDTC funding initiatives.
- During the first quarter ended December 31, 2022, the Company realized gross profit of \$219,713 compared to \$154,346 for the same quarter ended in 2021. The increase in gross profit of \$65,367 is mainly derived from a revenue increase of \$186,612 or 60%, partially offset by a gross margin decrease from 49% last year compared to 44% this year. Increased resources were needed to develop new business lines along with additional resource allocations to support the engineering requirements and research and development of the Company's growing technology business. The Company continues to invest in commercialization, in both staffing and technology enhancements, as it progresses on its projects in both the U.S. and Canada.
- Depreciation increased by \$4,634 or 4.3%% for the quarter ended December 31st, 2022, compared to the same period in 2021. This increase is attributable to increased capital expenditures on in use equipment, The remainder of capital expenditures relate to current and future technology projects that have not been commissioned at this point in time and some have not started depreciating.
- Amortization stayed flat at \$340,957 during the first quarter of 2022 compared to last year's first quarter. The amortization expense is mainly attributable to intangible assets acquired through an exclusive licensing agreement with its primary kiln supplier which was entered into in the fourth quarter of fiscal 2021. (No cash royalty payments were made in the quarter).
- During the quarter ended December 31, 2022, office expenses increased by \$176,209 or 20 % over the 2021 comparative three-month period due to cost increases incurred in hiring additional staff, travel, insurance, advertising, and marketing initiatives. Office expenses include salaries, rent, insurance, travel, and administrative services .

During the quarter ended December 31st, 2022, the Company incurred \$148,848 on research and development expenses compared to \$206,440 for the first quarter in ended December 31, 2021. Over the past eighteen months, the Company has accelerated its research and development initiatives to prepare the pyrolysis technology for the commercialization phase as well as demonstrating the technology to potential customers.

- Professional fees decreased by \$59,392 to \$243,182 in the first quarter of fiscal 2023 compared to \$302,574 over the same period in fiscal 2022. The decrease in fees related primarily to legal, public relations, business development initiatives, new contracts, and the introduction of board of director fees. Consulting fees increased to \$4,163 for the three months ended December 31, 2022, compared to \$2,220 in the same period last year.
- The Company incurred noncash share-based payments of \$182,398 in the first quarter of fiscal year 2023, for officers and consultants from its Omnibus long-term incentive plan that was introduced in fiscal 2021. There was an expense of \$189,929 for the three months ended December 31, 2021. The decrease of \$7,531 was mainly attributable to RSU and stock option grant timing compared to last year.
- Regulatory expenses decreased slightly to \$2,340 in the first quarter of fiscal year 2023 compared to \$4,037 in the comparable three-month period last year, primarily as a result of timing of expense recognition during the year.

CASH FLOW

At December 31, 2022, the Company had cash of \$102,033 compared to \$460,483 at September 30, 2022. The decrease in cash of \$358,450 from September 30, 2022, resulted from the following:

Operating activities were affected by non-cash items of depreciation of \$112,590 amortization of \$340,957, deferred grant income of \$265,359. The net change in non-cash working capital balances of (\$3,013,279) was comprised of a decrease in amounts receivable of \$14,409, an increase in work-in-progress of \$125,395, offset by a decrease in prepaid expenses of \$9,822, and an increase in accounts payable and accrued liabilities of \$3,114,443. For the three-month period net cash provided by operating activities was \$2,432,076 compared to \$1,323,331 used in operations for the comparable quarter last year. The Company spent \$2,786,135 for capital expenditures in the first quarter for the purchase of equipment for its production facility and continued production of a commercial scale project for a customer based in California. Last year in the same three-month period ended December 31st, the Company spent \$912,212 on capital expenditures. Net cash used in investing activities amounted to \$2,786,989 compared to \$919,554 for the three-month period ending on December 31, 2021.

The Company had limited financing activities in the first quarter with cash used by financing activities of \$3,537 compared to proceeds from the issuance of common shares of \$43,901 in the comparable quarter in the prior year.

LIQUIDITY AND FINANCIAL POSITION

The Company's total assets at December 31, 2022, were \$12,015,271 (September 30, 2022 - \$9,949,369) against total liabilities of \$8,086,837 (September 30, 2022 - \$5,251,544). The increase in total assets of \$2,065,902 resulted primarily from an increase of \$2,673,545 in property and equipment and an increase of \$125,395 in Work-in-Progress offset by a decrease in cash of \$358,450 and a \$340,956 decrease of intangibles as a result of amortization.

The activities of the Company have been primarily financed by private placements of securities, the exercise of warrants and options and its initial public offering.

On September 29, 2022, the Federal Economic Development Agency for Southern Ontario (FedDev") and CHAR entered into a Contribution Agreement where the Minister will make a repayable Contribution to CHAR in respect to the Thorold Project for 50% of eligible costs, starting from the date of April 19, 2021, up to \$1,500,000. As at December 31, 2022, the Company had recorded amounts receivable of \$341,336 and a corresponding liability for deferred grant income of \$341,336 for eligible costs incurred as at December 31, 2022.

The SD Natural Gas Fund project included a \$750,000 non-repayable grant from SDTC and a \$1,000,000 non-repayable grant from the Ontario Centres of Excellence. The project built on the previous research and development work conducted by CHAR. The project was split into 3 milestones. The first milestone, which was the design and fabrication of a 1-tonne per day biocarbon (including SulfaCHAR) production system was completed. The second milestone, which was the commissioning and initial operation of the 1-tonne per day biocarbon (including SulfaCHAR) production system was completed. The third and final milestone, which was testing of the use of SulfaCHAR for gas cleaning and agricultural applications was completed.

The previous completion of phase 2 of this project allowed the Company to begin producing commercial quantities of SulfaCHAR and was an important next step in the commercialization of SulfaCHAR. The Company also received approval for approximately \$1 million from the Government of Ontario through LCIF for the commercialization of CleanFyre. The Company has received payments of \$903,028 as the first milestone has been successfully completed; however, the program was cancelled so the remaining balance is not available and will not be collected.

During fiscal 2023, the Company's net cash loss is estimated to average approximately \$1,000,000 per quarter. Head office cash expenses include professional fees, reporting issuer costs, consulting fees, salaries, and general and administrative costs. Non-cash expenses include depreciation, amortization, and share-based payments.

At December 31, 2022, the Company's cash, working capital and access to the capital markets and other funding sources is anticipated to be sufficient to fund its operations for the remainder of fiscal 2023 and fiscal 2024.

COMMITMENTS

The Company's original operating lease agreement for its kiln building location expired on December 11, 2020, was subsequently renewed on a month-to-month basis.

The Company's minimum rental payments for its office space are as follows:

Yearly Minimum Rental Payments

Fiscal Year	Amount
2021	27,136
2022	27,136
2023	27,136
2024	2,261
Total	83,669

ROYALTY PAYMENTS

During the fiscal year ending September 30, 2021, the Company signed an exclusive technology licensing agreement with its principal kiln supplier. Char has the technology rights to all the equipment intellectual property (IP) including patents and designs, which will allow the Company to effectively lead the engineering, procurement, and manufacturing of the entire high-temperature pyrolysis (HTP) system. This agreement will streamline the design process, reduce overhead and delivery times. The effective date of the Agreement is July 1st, 2021, and is effective for three years. Pursuant to the exclusive license agreement the Company is obligated to make minimum advance royalty payments of USD \$3,000,000 in respect of its sales of HTP systems.

The minimum royalty payment required which includes intellectual property rights and exclusivity is in US dollars as follows: \$500,000 in year 1, \$1,000,000 in year 2 and \$1,500,000 in year 3 and \$2,000,000 for year 4 as extended. The Company paid \$750,000 USD in the FY 2021 and \$1,253,502 USD in fiscal year 2022. These payments cover the first two years of the contract and part of year three. The Company is accruing interest on its royalty payment amounts as they come due as per the agreement. The Company recorded \$500,000 USD as an accounts payable liability in the fourth quarter of 2022 relating to the fourth year of the agreement.

TRANSACTIONS WITH RELATED PARTIES

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:

Transactions with Related Parties Breakdown

	Quarter ended December 31, 2022 (\$)	Quarter ended December 31, 2021 (\$)
DSA Corporate Services ("DSA") (1)	2,237	2,651
1456087 Ontario Inc. ("1456087") (2)	30,000	30,000
Mark Korol, CFO (3)	36,000	36,000

(1) DSA is affiliated with Marrelli Support through a common officer. DSA provides corporate secretarial services. As at December 31, 2022, DSA was owed \$847 (September 30, 2022 - \$847). These amounts are included in accounts payable and accrued liabilities.

(2) 1456087 Ontario Inc. is a company controlled by James Sbrolla, a director of the Company. 1456087 Ontario Inc. provides consulting services to the Company.

(3) Mark Korol was appointed Chief Financial Officer on April 1, 2020.

Remuneration of directors and key management of the Company was as follows:

Remuneration of Directors and Key Management

	Quarter ended December 31, 2022 (\$)	Quarter ended December 31, 2021 (\$)
Salaries	91,582	38,750
Total	91,582	38,750

OUTSTANDING SHARE DATA

The number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of CHAR as at February 27, 2023, are as follows:

Total Securities

Securities As at February 27, 2023

Securities	As at February 27, 2023
Common shares outstanding	88,033,626
Issuable under options	7,086,682
Warrants	10,887,222
Broker Warrants	355,472
RSU's	1,647,927
SAR's	480,000
Total Securities	108,490,929

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of CHAR.

PROPOSED TRANSACTIONS

There are no proposed material transactions as at February 27, 2023.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these 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 year ended September 30, 2021, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Business combinations

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

Share-based payments

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

CAPITAL MANAGEMENT

The Company includes equity 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.

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.

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.

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 includes 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, 2022, the Company had cash of \$102,033 and had current liabilities of \$7,409,982 of which approximately \$3,000,000 can be deferred into future years with accrued interest. The Company's accounts payable and accrued liabilities, and deferred grant income are generally 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, accounts payable and loans payable are estimated by management to approximate their carrying values due to their short-term nature.

RISK FACTORS

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. In addition to the risks identified therein, additional risks not presently known to the Company may arise from time to time and may cause a material adverse effect on the Company and any investment in the Company. Investors are cautioned not to rely upon any forward-looking statements in this MD&A as such statements are subject to known and unknown risks.

No History of Profits

CHAR has not earned profits to date and there is no assurance that CHAR will earn profits in the future, or that profitability, if achieved, will be sustained. The success of CHAR ultimately depends upon its abilities to generate significant revenues to finance operations as opposed to external funding. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding. If CHAR does not have sufficient capital to fund its operations, it may be required to forego certain business opportunities;

Future Capital Requirements

CHAR will require additional financing in order to grow and expand its operations. It is possible that required future financing will not be available, or if available, will not be available on favourable terms. There can be no assurances that CHAR will be able to raise additional capital if its capital resources are exhausted;

Management of Growth

CHAR may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. Any expansion of CHAR's business may place a significant strain on its financial, operational, and managerial resources. There can be no assurances that CHAR will be able to manage growth successfully;

Limited Operating History

CHAR began operations in February 2011 and has now begun to commercialize its proprietary technology across North America. Common to emerging technology companies like CHAR, however, there are inherent risks in advancing new designs and processes.

Reliance on Management

The success of CHAR is dependent upon the ability, expertise, judgment, discretion and good faith of their respective senior management;

Additional Financing

In order to execute the anticipated growth strategies, CHAR will likely require additional equity and/ or debt financing beyond order to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions;

Competition

There is potential that CHAR will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than CHAR;

Operating Risk and Insurance Coverage

CHAR has insurance to protect its assets, operations and employees. While CHAR believes its insurance, coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which CHAR is exposed;

Fluctuation of Market Price

The market price of the Company's Shares may be subject to wide fluctuations in response to many factors;

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the Common Shares in the foreseeable future;

Limited Market for Securities

The Company's are listed on the Exchange, however, there can be no assurance that an active and liquid market for the Company's Shares will develop or be maintained, and an investor may find it difficult to resell any securities of the Company; and

Environmental and Employee Health and Safety Regulations

CHAR's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety.

CAUTION NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and in certain documents incorporated by reference in this MD&A, contain “forward-looking information” for the purposes of applicable Canadian securities laws (the “forward-looking statements”). All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements, including those risk factors identified below in the section “Risk Factors. The forward-looking statements in this MD&A speak only as of the date of this MD&A unless an alternative date is specified in such statement. Certain forward-looking statements contained in this MD&A relate to the Company’s ability to continue its business activities and to execute on its business plan as currently anticipated. These forward look-statements as well as the other forward-looking statements contained herein, are based upon certain material assumptions, including the Company’s expectation that its costs will remain consistent with the costs currently anticipated and that financing through equity raises, debt financing or a combination thereof will continue to be available to the Company and on terms anticipated and reasonably acceptable to the Company. The risk factors identified in the “Risk Factors” section below may cause such assumptions and/or the forward-looking statements to be untrue.

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond the Company’s ability to predict or control. Please see the “Risk Factors” section included in this MD&A. Readers are cautioned that actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

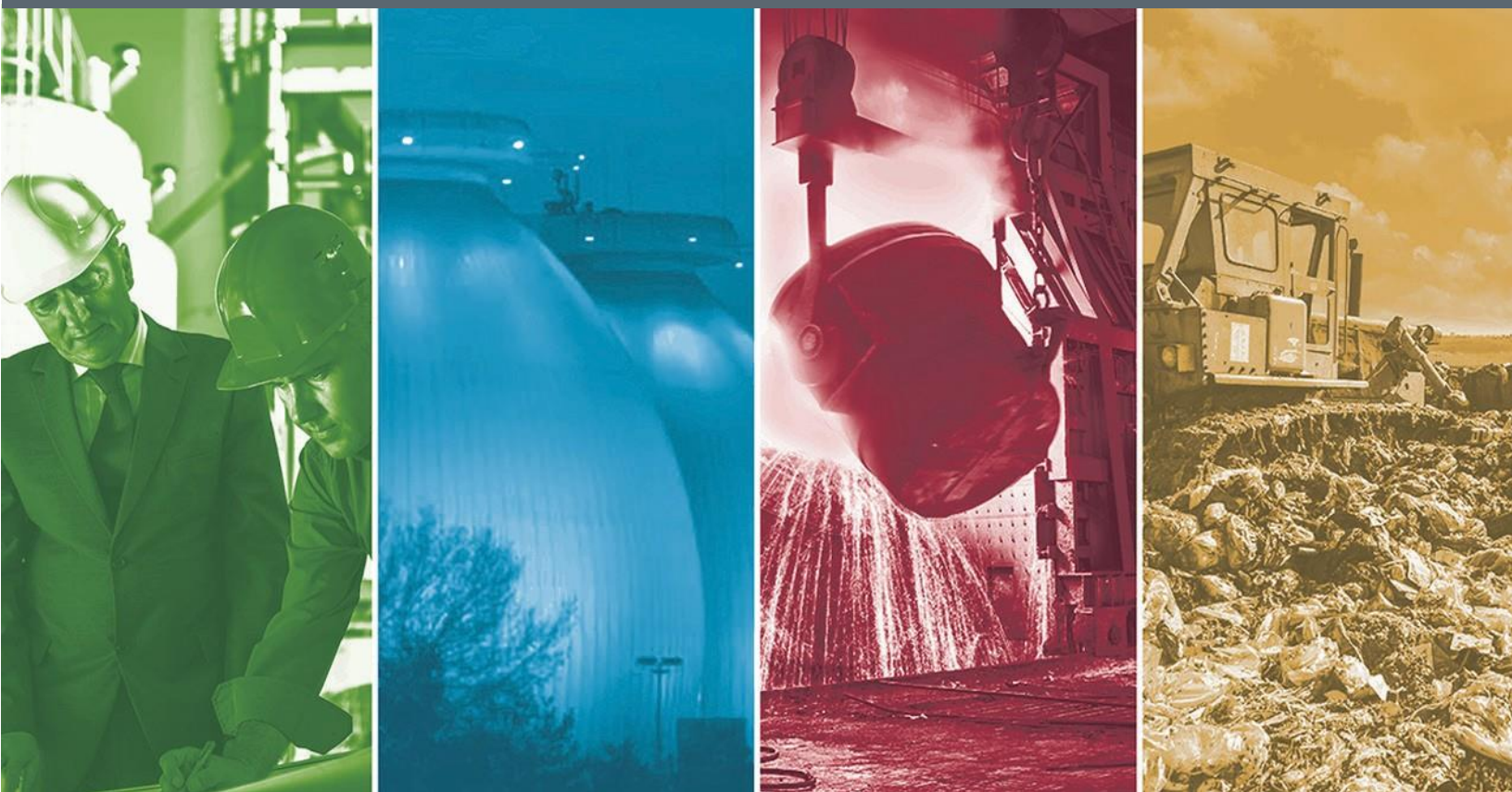
DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- 1) Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation; and
- 2) A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.



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Q1 2023 REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE QUARTER ENDED: December 31, 2022
DISCUSSION DATED: February 27th, 2023

CHARTECHNOLOGIES.COM