ANNUAL AUDITED FINANCIAL STATEMENTS

YEAR END
DECEMBER 31, 2020

Delta
CLEANTECH
CAPTURING SUSTAINABILITY

DELTA CLEANTECH INC.

Financial Statements

For the period from December 22, 2020 (Date of Incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Delta CleanTech Inc.

Opinion

We have audited the accompanying financial statements of Delta CleanTech Inc. (the "Corporation") which comprise the statements of financial position as at December 31, 2020, and the statements of loss and comprehensive loss, changes in equity and cash flows for the period from incorporation on December 22, 2020 to December 31, 2020, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020, and its financial performance and its cash flows for the period from incorporation on December 22, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Other Information

Management is responsible for the other information, which comprises the information included in the Corporation's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

/S/ MANNING ELLIOTT LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

August 13, 2021

Statement of Financial Position
(Expressed in Canadian dollars)

As at	Note	December 31, 2020
ASSETS		
Current assets:		
Cash		$ 10
Total assets		$ 10
EQUITY		
Share capital	5	$ 10
Total equity		$ 10

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

Signed "Lionel Kambeitz"
LIONEL KAMBEITZ
CHAIRMAN & CEO

Signed "Jeffrey Allison"
JEFFREY ALLISON
SR. VICE-PRESIDENT & CFO

Statement of Loss and Comprehensive Loss

For the Period from December 22, 2020 (Date of Incorporation) to December 31, 2020

(Express in Canadian dollars)

	December 31, 2020
Revenue	$ -
Expenses	-
Net loss and comprehensive loss	$ -

Statement of Changes in Equity

For the Period from December 22, 2020 (Date of Incorporation) to December 31, 2020

(Expressed in Canadian dollars, except number of shares)

	Share Capital		
	Number of Shares	Amount	Total Shareholders’ Equity
Balance, December 22, 2020	-	-	-
Share issuance (note 5)	100	$ 10	$ 10
Net income	-	-	-
Balance, December 31, 2020	100	$ 10	$ 10

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

Statement of Cash Flows

For the Period from December 22, 2020 (Date of Incorporation) to December 31, 2020

(Express in Canadian dollars)

For the period ended	Note	December 31, 2020
Cash flows from financing activities:		
Proceeds from issuance of common shares	5	$ 10
Increase (decrease) in cash during the period		10
Cash – beginning of year		-
Cash – end of period		$ 10

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

Notes to the Financial Statements

For the Period from December 22, 2020 (Date of Incorporation) to December 31, 2020

(Expressed in Canadian dollars)

1. Operations

Delta CleanTech Inc. (“Delta” or “Corporation”) was incorporated under the *Business Corporations Act* (Saskatchewan) on December 22, 2020. The head office, principal business and registered office of the Corporation are located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada.

The principal activity of the Corporation will consist of four main areas: 1) CO2 capture 2) hydrogen production 3) solvent and ethanol purification and 4) carbon credit certification and trading.

These financial statements do not give effect to any adjustments which would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts from those reflected these financial statements.

On March 11, 2020 the world health organization declared the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, as a global pandemic. This has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Corporation anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Corporation’s business and financial condition.

2. Basis of Presentation

a) Statement of Compliance

These financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were authorized for issuance by the board of directors (“Board”) on August 13, 2021.

2. Basis of Presentation (continued)

b) Functional Currency

The Financial Statements are presented in Canadian dollars, which is the Corporation's functional currency.

c) Basis of Measurement

The Financial Statements have been prepared on historical cost basis.

d) Use of Estimates and Judgment

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the financial statements, as appropriate.

3. Summary of Significant Accounting Policies

a) Financial instruments

Classification and Measurement

The Corporation classifies and measures financial assets based on their contractual cash flow characteristics and the Corporation's business model for the financial asset. All financial assets and financial liabilities are recognized at fair value on the audited carve-out combined statements of financial position when the Corporation becomes party to the contractual provisions of a financial instrument or non-financial derivative contract. Subsequent to initial recognition, financial assets must be classified and measured at either amortized cost, at fair value through profit or loss ("FVTPL"), or at fair value through other comprehensive income ("FVTOCI").

The Corporation classifies its financial instruments as follows:

Financial Instrument	**Classification**
Financial assets	
Cash	FVTPL

Financial assets

Impairment of financial assets

The expected credit loss model requires entities to account for expected credit losses on financial assets, other than financial assets measured at FVTOCI, at the date of initial recognition, and to account for changes in expected credit losses at each reporting date to reflect changes in credit risk. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Corporation's management reviewed and assessed its existing financial assets for impairment using reasonable and supportable information to determine the credit risk of the respective items at the date they were initially recognized and compared that to the credit risk as at December 31, 2020. The assessment of changes in credit risk resulted in an immaterial impact on the Statements of Financial Position.

Derecognition of financial assets

The Corporation derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

3. Summary of significant accounting policies (continued)

Financial liabilities

Recognition and initial measurement
The Corporation recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Corporation measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement
Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities
The Corporation derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

b) Cash

Cash includes balances in banks and cash on hand.

c) Standards issued but not yet effective

Amendments to IAS 1 - Presentation of Financial Statements ("IAS 1 ")

In January 2020, amendments were issued to IAS 1, which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

The amendments must be applied retrospectively for annual periods beginning after January 1, 2023. The Company will assess the impact, if any, of adoption of the amendment.

Any other new accounting standards or amendments to existing accounting standards are either not applicable or are not expected to have a material impact on the Corporation’s financial statements other than potential additional note disclosure.

4. Related Party

The Corporation has identified all of the directors and officers as its key management personnel. During the period ended December 31, 2020, the Corporation did not incur key management compensation costs or undertake any transactions with directors and officers, or companies that are controlled by directors or officers of the Corporation.

5. Share Capital

The Corporation has authorized an unlimited number of common shares without par value. Common shares are voting, participating and are not subject to restrictions.

	As at December 31, 2020	
Common Shares	**Number**	**Amount**
Balance, beginning of period	-	-
Issued stock	100	$ 10
Balance, end of period	100	$ 10

On December 22, 2020 the Corporation issued 100 common shares at $0.10 per share for total proceeds of $10.

6. Financial Instruments

(a) Fair values

The fair values of amounts due from related parties approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

(c) Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation is not exposed to liquidity risk as there are no amounts due from the Corporation.

(d) Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's exposure to credit risk is on the amounts due from related parties. This risk is managed by the amounts being due from the directors and founders of the Corporation.

7. Financial Risk Management

The Corporation's capital structure consists of share capital. The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Corporation will raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management since inception. The Corporation is not subject to externally imposed capital requirements.

8. Subsequent Events

(a) On January 27, 2021, Delta CleanTech Inc. completed the purchase of assets (the "Asset Purchase Agreement") that form the existing clean energy business (the "Clean Energy Assets") of HTC Purenergy Inc. ("HTC") for an aggregate purchase consideration valued at $3,000,000 (the "Purchase Price"). At the time of the closing of the Corporation and HTC had officers and directors in common and therefore it is transaction between related parties. The Clean Energy Assets consist of all of the intellectual property and certain contractual agreements for the operation of HTC's CO2 capture systems and reclaimer systems.

The Purchase Price was paid by the Corporation by the issuance of 20,000,000 common shares ("Consideration Shares") to HTC. The Consideration Shares are subject to a pooling arrangement with a release schedule over a period of 24 months whereby 10% of the Consideration Shares will be released upon the listing of the common shares on a recognized stock exchange in Canada ("Liquidity Event"), 10% of the Consideration Shares are released every three months following the date of the Liquidity Event and the final 20% of the Consideration Shares are released 24 months following the date of the Liquidity Event. The Asset Purchase was conditional upon, among other things, the closing of the Private Placement (as described in (b) below). No finder's fees were payable in connection with the Asset Purchase.

(b) On January 27, 2021, immediately following the closing of the Asset Purchase Agreement, the Corporation completed the first tranche of a non-brokered private placement financing (the "Private Placement"). The first tranche of the Private Placement comprised of 36,200,000 units of Delta (the "Units") at a price of $0.20 per Unit for gross proceeds of $7,240,000. Each Unit was comprised of one common share and one-half of a common share purchase warrant (a "warrant"). Each whole warrant is exercisable to purchase one additional common share at an exercise price of $0.50 for a period of 48 months after its issuance.

(c) On January 29, 2021, the Corporation completed a second tranche of the Private Placement consisting of 2,150,000 Units at a price of $0.20 per Unit for gross proceeds of $430,000. Each Unit was comprised of one common share and one-half of a common share purchase warrant (a "warrant"). Each whole warrant is exercisable to purchase one additional common share at an exercise price of $0.50 for a period of 48 months after its issuance. Pursuant to the offering (including the first Tranche), the Company paid a cash finders fees of $280,050 and issued 1,398,750 finders' units. Finders' warrants are exercisable at a price of $0.20 for a period of 2 years.

8. Subsequent Events (continued)

(d) On February 19, 2021, the Corporation approved a stock option plan ("**Option Plan**") as well as a restricted stock unit plan ("**RSU Plan**"). Conditional upon the Liquidity Event, 5,800,000 options will be issuable under the Option Plan, with an exercise price of $0.20 per share, a term of 4 years, and a vesting period of 1-year intervals over 3 years. 5,800,000 restricted share units ("**RSU**") will be issued under the RSU Plan with an exercise price of $0.20 per share, a term of 4 years, and 5,500,000 RSU vesting over 6-month intervals over 2 years with the remaining RSU vesting immediately. Due to the effective date of the Option Plan and the RSU Plan being the effective date that Delta becomes a listed entity, no amount has been recorded in the financial statements regarding the Option Plan or the RSU Plan to date.

(e) On April 16, 2021, the Corporation completed a third tranche of the Private Placement consisting of 173,000 Units at a price of $0.20 per Unit for gross proceeds of $34,600. Each Unit was comprised of one common share and one-half of a common share purchase warrant (a "warrant"). Each whole warrant is exercisable to purchase one additional common share at an exercise price of $0.50 for a period of 48 months after its issuance.

(f) The Corporation has filed a Non-Offering Prospectus on August 13, 2021 with the securities regulators in the provinces of Alberta and Saskatchewan for the purposes of becoming a reporting issuer.