

ANNUAL FINANCIAL STATEMENTS

YEAR ENDING
DECEMBER 31, 2021



CASHFLOW STATEMENT

INDUSTRY	REVENUE	OPERATING	INVESTING	FINANCING
92%	45%	78%		

Market Data Table

Symbol	Value	Change
CTMX	98.0	▲ +98.0%
CSTO	+0.05	▼ -0.05%
FTR	-20.0	▼ -20.0%
CHK	+50.0	▲ +50.0%
AVIO	-10.0	▼ -10.0%
DEX	-30.0	▼ -30.0%
NKY	+65.0	▲ +65.0%
THLD	+55.0	▲ +55.0%
OLP	-15.0	▼ -15.0%
JIB	-25.0	▼ -25.0%



Independent Auditor's Report

To the Shareholders of
Delta CleanTech, Inc.

Opinion

We have audited the consolidated financial statements of Delta CleanTech Inc. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Matter

The consolidated financial statements of the Company for the period ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 13, 2021.

Other Information

Management is responsible for the other information. The other information is comprised of Management's Discussion and Analysis for the year ended December 31, 2021.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Saskatoon, Canada
May 2, 2022

Ernst & Young LLP
Chartered Professional Accountants

**To the Shareholders of Delta CleanTech Inc.
("Delta" or the "Corporation")**

Management's Accountability for Management's Discussion and Analysis and Consolidated Financial Statements

The audited condensed consolidated financial statements for the year ending December 31, 2021 ("**Financial Statements**") have been prepared by management in accordance with International Financial Reporting Standards in Canada. Management is responsible for ensuring that these Financial Statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management's discussion and analysis for the year ending December 31, 2021 ("**MD&A**") and reflect Delta's business transactions and financial position.

Management is also responsible for the information disclosed in the MD&A, including responsibility for the existence of appropriate information systems, procedures and controls, to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The board of directors ("**Board**") annually appoints an audit committee which includes directors who are not employees of the Corporation. This committee meets regularly with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. The shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the interim and annual financial statements, the report of the shareholders' auditors, and the interim and annual management's discussion and analysis and has delegated authority to approve the interim filings and makes recommendations to the Board regarding annual filings.

Management has reviewed the filings of the Corporation's MD&A, Financial Statements and attachments thereto. Based on our knowledge, having exercised reasonable diligence, these filings 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, with respect to the period covered by the annual filings. Based on our knowledge, having exercised reasonable diligence, the Financial Statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, the financial performance, and cash flows of the Corporation, as of the date of and for the periods presented in the annual filings.

Signed "Jeffrey Allison"
JEFF ALLISON
PRESIDENT & CEO

Signed "Jacelyn Case"
JACELYN CASE
CFO

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current Assets:			
Cash		\$ 759,915	\$ 10
Investments	7	3,500,000	-
Accounts receivable and accrued receivables	20	19,646	-
Government receivables		43,844	-
Prepaid expenses and deposits	6	36,309	-
		4,359,714	10
Investments	7	198,255	-
Property, plant and equipment	8	32,004	-
Right-of-use assets	9	52,152	-
Patents	10	11,910	-
Intangible assets	11	2,513,166	-
Goodwill	5,12	365,622	-
Total assets		\$ 7,532,823	\$ 10
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	20	\$ 326,198	\$ -
Current portion of lease liability	13	48,591	-
		374,789	-
Lease liability	13	4,390	-
Total liabilities		379,179	-
EQUITY			
Equity:			
Share capital	14	8,993,655	10
Warrants	15	1,375,594	-
Contributed surplus	15,16	1,042,631	-
Accumulated deficit		(4,258,236)	-
Total equity		7,153,644	10
Total liabilities and equity		\$ 7,532,823	\$ 10

The accompanying notes are an integral part of these Financial Statements.

**Consolidated Statement of Income (Loss)
and Comprehensive Income (Loss)**

(Expressed in Canadian dollars)

For the year ended	Note	December 31, 2021
Revenue		
Engineering, process design and consulting		\$ 375,000
Expenses		
Engineering, process design and consulting		90,067
Operating wages and benefits		442,221
Consulting and contractor costs		717,357
Business development		988,405
General and administrative		453,708
Amortization	8,9,10,11	281,612
		<u>2,973,370</u>
Operating loss		<u>(2,598,370)</u>
Interest income		15,715
Interest expense		(2,074)
Net interest income (expense)		<u>13,641</u>
Listing Fees		(562,441)
Stock compensation expense	16	(1,042,631)
Loss on sale of assets		(11,792)
Fair value loss on Common Shares	7	(56,643)
Loss before taxes		<u>(4,258,236)</u>
Income tax expense		-
Net loss and comprehensive loss for the year		<u><u>\$ (4,258,236)</u></u>
Loss per share – basic and diluted*	17	<u><u>\$ (0.07)</u></u>

*Fully diluted earnings per share is not presented when there is a loss as the impact would be anti-dilutive.

The accompanying notes are an integral part of these Financial Statements.

Audited Condensed Consolidated Statements of Changes in Equity
For the Period from December 22, 2020 (Date of Incorporation) to December 31, 2020
and year ended December 31, 2021
(Expressed in Canadian dollars)

	Note	Number of shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Equity
Balance, December 22, 2020			\$ -	\$ -	\$ -	\$ -	\$ -
Share issuance	14	100	10		-	-	10
Net income			-		-	-	-
Balance, December 31, 2020		100	\$ 10	\$ -	\$ -	\$ -	\$ 10
Private placement	14	38,523,000	6,356,295	1,348,305	-	-	7,704,600
Broker warrants	15	-	-	167,850	-	-	167,850
Business acquisition	5,14	20,000,000	3,300,000		-	-	3,300,000
Share issuance cost	14	-	(662,650)	(140,561)	-	-	(803,211)
Options and RSU's issued	16	-	-		1,042,631	-	1,042,631
Net income		-	-		-	(4,258,236)	(4,258,236)
Balance, December 31, 2021		58,523,100	\$ 8,993,655	\$ 1,375,594	\$ 1,042,631	\$ (4,258,236)	\$ 7,153,644

The accompanying notes are an integral part of these Financial Statements.

Audited Consolidated Statement of Cash Flows

(Express in Canadian dollars)

For the year ended	Note	December 31, 2021
Cash flows used in operating activities:		
Net loss		\$ (4,258,236)
Items not affecting cash:		
Amortization	8,9,10,11	281,612
Loss on sale of assets		11,792
Interest expense		2,074
Accrued interest receivable		(13,938)
Stock compensation expense	16	1,042,631
Fair value loss on listed Common Shares	7	56,643
Change in working capital and other	19	261,814
		(2,615,608)
Cash flows used in investing activities:		
Purchase of property and equipment	8	(36,110)
Purchase of patents	10	(12,245)
Lease payment	13	(45,375)
Purchase of GIC	7	(3,500,000)
Purchase of investment in Plexus	7	(100,000)
		(3,693,730)
Cash flows from financing activities:		
Private placement (\$7,704,600 less cash share issuance costs of \$635,357)	14	7,069,243
		7,069,243
Increase in cash during the Year		759,905
Cash – beginning of year		10
Cash – end of year		\$ 759,915

The accompanying notes are an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Express in Canadian dollars)

1) Operations

Delta CleanTech Inc. (“**Delta**” or “**Corporation**”) was incorporated on December 22, 2020, under the Business Corporations Act *Alberta* and is domiciled in Canada. The registered office of the Corporation is located at #2308 Palisade Dr. SW, Calgary, AB, T2V 3V1.

The principal activity of the Corporation consists of four main areas: 1) CO₂ capture; 2) hydrogen production; 3) solvent and ethanol purification; and 4) carbon credit certification and trading (collectively the “**Business Sectors**”). These Business Sectors will be accomplished by capitalizing on the Corporation’s patented process design intellectual property (“**IP**”), as well as its CO₂ capture and related solvent IP, whose focused mandate will be on positioning itself as a leading technology provider in the clean energy technology sector.

The Corporation operates primarily in one principal business, that being CO₂ capture, hydrogen production, solvent and ethanol purification and carbon credit certification and trading. The Company’s Chief Operating Decision-Maker (CODM) is the President. The CODM is the highest level of management responsible for assessing the Company’s overall performance and making operational decisions such as resource allocations related to operations, product prioritization, and delegation of authority. Management has determined that the Company operates in a single operating and reportable segment, and all of the Corporation’s operations are within Canada.

2) Significant event

On January 27, 2021, Delta completed the purchase of the clean energy business assets (the “**Clean Energy Assets**”) of HTC Pureenergy Inc. (“**HTC**”) pursuant to an asset purchase agreement (“**Asset Purchase Agreement**”). The Clean Energy Assets consist of all of the IP and certain contractual agreements for the operation of HTC’s CO₂ capture systems and reclaimer systems. The Asset Purchase Agreement reflects a deemed purchase price of \$4,000,000, however as a result of the accounting treatment of the Delta common shares (“**Common Shares**”) issued, the financial statements reflect a value of \$3,300,000 for the 20,000,000 Common Shares issued as consideration (“**Purchase Price**”).

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 were released on August 19, 2021, when the Common Shares became listed on a recognized stock exchange in Canada (“**Liquidity Event**”), 10% of the Consideration Shares will be released every three months following the date of the Liquidity Event and the final 20% of the Consideration Shares will be 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 below). No finder’s fees were payable in connection with the Asset Purchase.

On January 27, 2021, immediately following the closing of the Asset Purchase, the Corporation completed 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 is comprised of one common share and one-half of a common share purchase warrant (each whole warrant, a “**Warrant**”). Each 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.

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. The Corporation issued 1,398,750 finders’ warrants for the first and second tranches. Each finder warrant entitles the holder to purchase a common share at \$0.20 for a period of 48 months after issuance.

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. No finders’ fees were payable under this tranche.

On August 19, 2021, Delta’s Common Shares commenced trading on the Canadian Securities Exchange (“**CSE**”), under the ticker symbol “DELTA”.

On September 23, 2021, Delta’s Common Shares commenced trading on the Frankfurt Stock Exchange (“**FSE**”), under the ticker symbol “66C”.

Subsequent to and during the year, there was a continued global outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, which 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 Delta 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.

4) **Basis of Presentation**

a) Statement of Compliance

These audited condensed consolidated financial statements of the Corporation for the year ended December 31, 2021 (the “**Financial Statements**”) have been prepared by management in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and with interpretation of the International Financial Reporting Interpretations Committee (“**IFRIC**”). No comparative figures have been presented for the comparative year ended December 31, 2020, because the Corporation was only incorporated on December 22, 2020.

These Financial Statements were authorized for issuance by the audit committee of the Board of Directors (“Board”) May 2, 2022.

b) Functional Currency

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

c) Principles of consolidation

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Financial Statements include the accounts of Delta, consolidated with those of its wholly owned subsidiary CO₂ Technologies Pty. Ltd. (“**CO₂ Technologies**”). All inter-company transactions, balances, revenues, and expenses have been eliminated on consolidation.

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 (“**Notes**”), as appropriate.

Significant accounting judgements

Fair value measurement of financial instruments

When the fair value of financial assets recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow method. The inputs to these models are taken from observable markets where possible.

Asset impairment

The carrying amounts of the Corporation's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and compared to the carrying amount of the cash generating unit ("CGU") to which the asset belongs. There was no impairment in the year ended December 31, 2021 (the "Period" or "Year").

Estimated useful lives of patents and intangibles

Amortization of patents and intangibles are dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Stock compensation and warrants

The Corporation utilizes the Black-Scholes Option Pricing Model to determine the fair value of stock compensation and warrants issued as part of the Units. The Corporation uses judgment in the evaluation of the input variables in the Black-Scholes Calculation which includes: estimates of the future volatility of the Corporation's share price, forfeiture rates, expected lives of the underlying security, expected dividends and other relevant assumptions.

4) Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations are expensed and included in general and administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Corporation's share in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities. Any negative difference is recognized directly in the consolidated statements of income. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash-generating units or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those CGUs. Where goodwill forms part of a CGU or group of CGUs and part of the operating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. If the Corporation reorganizes its reporting structure in a way that changes the composition of one or more CGUs or group of CGUs to which goodwill has been allocated, the goodwill is reallocated to the units affected. Goodwill disposed of or reallocated in these cases is measured based on the relative values of the operation disposed of and the portion of the CGU retained, or the relative fair value of the part of a CGU allocated to a new CGU compared to the part remaining in the old organizational structure.

b) 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 in the consolidated 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
Investments	FVTPL
Accounts receivable	Amortized cost

Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost

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, 2021. The assessment of changes in credit risk resulted in an immaterial impact on the Consolidated Statement 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.

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.

c) Cash

Cash includes balances in banks and cash on hand.

d) Foreign Currency Translation

The Corporation translates monetary assets and liabilities using the rate of exchange at the Financial Statement date and non-monetary assets liabilities using the historical exchange rate at the transaction date. Revenues and expenses are translated using the average exchange rate in effect for the period or year.

e) Property, Plant and Equipment

The initial cost of an asset is comprised of its purchase price or construction cost, borrowing costs and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the amount paid and the fair value of any other consideration given to acquire the asset. Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. Asset values are comprised of cost less accumulated amortization and impairment if required.

Assets are amortized over their estimated useful lives as follows:

Equipment and vehicles	30% declining balance
Leasehold improvements	3 years straight-line

f) Impairment of Assets

Non-Financial and Intangible Assets

The carrying amounts of the Corporation's property, plant and equipment, product development costs, patents and intangible assets having a finite useful life are assessed for impairment indicators at least on an annual basis to determine whether there is any indication that these 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.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or group of assets' estimated fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (CGUs).

Where an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life and goodwill are not subject to amortization and are tested for impairment at least on an annual basis or earlier when there is an indication of potential impairment.

g) Patents

Costs associated with registration of patents are accumulated at cost and when registration is complete, amortized on a straight-line basis over 15 years.

h) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives, which include brand names, are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Internally generated intangible assets are capitalized when the product or process is technically and commercially feasible and the Corporation has sufficient resources to complete development. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Expenditures incurred to develop new demos and prototypes are recorded at cost as internally generated intangible assets. Amortization of the internally generated intangible assets begins when the development is complete and the asset is available for use and it is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment at least annually.

Finite-life intangible assets are amortized over their estimated useful lives as follows:

Delta Reclaimer® System	10 years
LCDesign® CCS	10 years
PDOengine®	10 years
Carbon RX IP	20 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

i) Research and Development

Research costs are expensed as they are incurred in accordance with specific criteria set out under IFRS. Product development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes, and systems, and satisfy certain conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, based on the expected useful life of the completed product. The carrying value of capitalized development costs are examined for recoverability annually.

j) Leases

At the inception of a contract, the Corporation considers whether the contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Corporation assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Corporation has the right to direct the use of the identified asset throughout the period of use; and
- the Corporation assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Right-of-use assets are amortized over the term of the lease.

Recognition and measurement

At the lease commencement date, the Corporation recognizes a right-of-use asset and a lease liability on the statement of financial position. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, estimated costs to dismantle or remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Corporation depreciates the right-of-use asset on a straight-line basis to the earlier of the useful life of the asset, or the end of the lease term. The Corporation also assessed the right-of-use asset for impairment when indicators exist.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Corporations incremental rate of borrowing.

Lease payments included in the measurement of the lease liability include fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest.

k) Revenue Recognition

The Corporation's revenues from contracts with customers are derived from engineering, processing, design and consulting services.

To determine whether to recognize revenue, the Corporation follows a 5-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Corporation satisfies performance obligations by transferring the promised goods or services to its customers. Revenue for engineering processing design and consulting services are recognized over time as the service is provided.

Performance Obligations

Each promised good or service is accounted for separately as a performance obligation, if it is distinct.

Transaction Price

The Corporation allocates the transaction price in the contract to each performance obligation. Transaction price allocated to performance obligations may include variable consideration. Variable consideration is included in the transaction price for each performance obligation when it is highly probable that a significant reversal of the cumulative variable revenue will not occur. Variable consideration is assessed at each reporting period to determine whether the constraint is lifted. The consideration contained in some of the Corporation's contracts with customers has a variable component, and may include both variability in quantity and pricing, such as: revenues can be dependent upon the quantity handled or the number of days any product is stored.

When multiple performance obligations are present in a contract, transaction price is allocated to each performance obligation in an amount that depicts the consideration the Corporation expects to be entitled to, in exchange for transferring the good or service. The Corporation estimates the amount of the transaction price, to allocate to individual performance obligations, based on their relative standalone selling prices.

Recognition

The nature, timing of recognition of satisfied performance obligations, and payment terms for the Corporation's goods and services are described below:

Revenues from contracts for rendering of services are recognized over time as the services are provided to the customer.

The Corporation recognizes a contract asset or contract liability for contracts where either party has performed. A contract liability is recorded when the Corporation receives consideration before the performance obligations have been satisfied. A contract asset is recorded when the Corporation has rights to consideration for the completion of a performance obligation before it has invoiced the customer. The Corporation recognizes unconditional rights to consideration separately as a receivable. Contract assets and receivables are evaluated at each reporting period to determine whether there is any objective evidence that they are impaired.

The Corporation recognizes a significant financing component where the timing of payment from the customer differs from the Corporation's performance under the contract and where that difference is the result of the Corporation financing the transfer of goods and services. No significant financing components were identified in the Corporation's contracts.

I) Income taxes

Income tax expense comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The resulting changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future income tax assets are recognized to the extent it is probable that these will be realized in the future.

m) Earnings per share

The computation of earnings per share is based on the weighted average number of shares outstanding during the period. Diluted profit per share is computed in a similar way to basic profit per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options, share appreciation rights and convertible debt options, if dilutive.

n) Share based compensation

The Corporation has equity incentive plans awarded to employees (including senior executives), consultants and board members, and records all share-based payments, including grants of employee stock options, at their respective fair values. The fair value of the stock options is estimated at the grant date, using the Black-Scholes valuation model. Compensation costs are expensed over the award's vesting period with a corresponding increase to contributed surplus. An estimate of forfeitures is applied when determining compensation expense. On exercise of the equity instrument, consideration paid by the holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of loss and comprehensive loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service condition have not been met.

When the terms of an equity settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based compensation transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit and loss.

o) 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 Corporation is currently assessing the impact, if any, of adoption of the amendment.

Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments to IFRS 3 apply to annual reporting periods beginning on or after January 1, 2022. The Corporation is currently assessing the impact of the amendments.

Amendments to IAS 8: Definition of Accounting Estimates

In February 2021, the IASB published "Definition of Accounting Estimates" to help entities to distinguish between accounting policies and accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The amendments are not expected to have a material impact on the Company.

Amendments to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

5) Business acquisitions

Clean Energy Asset purchase from HTC Pureenergy Inc.

On January 27, 2021, Delta completed the Purchase of the Clean Energy Assets of HTC. HTC is a related party due to common directors (see Note 21). The Clean Energy Assets consist of all the intellectual property and certain contractual agreements for the operation of HTC's CO₂ capture systems and reclaimer systems.

The purchase has been accounted for as a business acquisition using the acquisition method of accounting, with the results of the Clean Energy Assets included in the Corporation's net earnings from the date of acquisition. Revenue earned as a result of the acquisition since January 27, 2021 to December 31, 2021 is \$350,000.

The following table summarizes the fair values of the identifiable assets and liabilities as at the date of acquisition:

	<u>\$</u>
Prepaid expenses	21,477
Property plant and equipment	14,000
Intangible assets	2,744,000
Investments in associates	154,901
Goodwill	365,622
Purchase consideration	<u>\$ 3,300,000</u>

The intangible assets of \$2,744,000 comprise the values associated with the LCDesign®, Delta Reclaimer® system, PDOengine®, Carbon Rx™ IP, and CO₂ Technologies IP and the trademarks associated.

The goodwill of \$365,622 comprises the value of the assembled workforce and other expected growth arising from the acquisition.

Transaction costs related to the Clean Energy Assets acquisition during the Year were \$27,539 and are included in general and administrative expenses.

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Intangible assets	Historical cost method: This method requires an estimate of the cost incurred to reproduce the intangible asset in its acquisition date condition and building in a developer premium to account for the returns expected if a market participant were to outsource the development of the Delta intangibles to a third-party. The margin a contract developer would require was estimated at 18% based on the benchmark data collected for guideline companies. Due to the fact that the technology has taken several years to complete there has also been a technology obsolescence factor (“TOF”) applied to the valuations. The TOF reflects the risk that a process, product, or technology used or produced by a company for profit will become obsolete, and thus no longer competitive in the marketplace. In assessing the timeframe of development, a discount to the replacement costs was used of between 50% and 95%.

Investments have been recorded at their trading value on the date of acquisition.

6) Prepaids and deposits

	December 31, 2021
Prepaid expenses	32,309
Deposits	4,000
	36,309

7) Investments

	December 31, 2021
Guaranteed Investment Certificate	\$ 3,500,000
Listed Common Shares	98,255
Unlisted Common Shares	100,000
	\$ 198,255

The Guaranteed Investment Certificate (“GIC”) is redeemable, has a term of one year maturing February 11, 2022, and carries a variable interest rate of prime less 2.00% (December 31, 2021 – 0.45%). At December 31, 2021, amounts of \$13,938 have been accrued to interest income.

The fair value of quoted securities is based on published market prices. The Corporation has not received any dividends and has recognized a loss on fair value of the listed Common Shares of \$56,643 during the Year.

Unlisted Common Shares represent an investment in Plexus Technology Corp. The Corporation fair value of the investment are based on the cost of the securities due to the recency of the purchase, making cost the best estimate of fair value.

8) Property and equipment

	Equipment \$	Vehicle \$	Leasehold Improvements \$	Total \$
Cost:				
Balance, December 31, 2020	-	-	-	-
Additions	17,195	-	20,117	37,312
Acquisition (Note 5)	1,277	12,723	-	14,000
Disposition	(1,201)	(12,723)	-	(13,924)
Balance, December 31, 2021	17,271	-	20,117	37,388
Accumulated amortization:				
Balance, December 31, 2020	-	-	-	-
Amortization	1,472	931	3,912	6,315
Disposition	-	(931)	-	(931)
Balance, December 31, 2021	1,472	-	3,912	5,384
Carrying amounts:				
Balance, December 31, 2021	15,799	-	16,205	32,004

The Corporation regularly assesses its long-lived assets for impairment. As at December 31, 2021, the recoverable amount of each CGU exceeded the carrying amounts of the assets allocated to the respective units.

9) Right-of-use assets

	Office \$
Cost:	
Balance, December 31, 2020	-
Additions	96,282
Balance, December 31, 2021	96,282
Accumulated amortization:	
Balance, December 31, 2020	-
Amortization	44,130
Balance, December 31, 2021	44,130
Carrying amounts:	
Balance, December 31, 2021	52,152

10) Patents

	Total \$
Cost:	
Balance, December 31, 2020	-
Additions	12,244
Balance, December 31, 2021	12,244
Accumulated amortization:	
Balance, December 31, 2020	-
Amortization	334
Balance, December 31, 2021	334
Carrying amounts:	
Balance, December 31, 2021	11,910

Delta has completed the WTO patenting, commercialization and the construction and commissioning of the Delta Purification System®, reclaiming hydrocarbon based and other solvents, such as single, mixed, and formulated amines, for use in natural gas processing ethanol-based solvents and post combustion CO2 capturing processes.

11) Intangible assets

	PDOengine®	LCDesign® CCS	Delta Reclaimer® System	Carbon RX™ IP	Total
	\$	\$	\$	\$	\$
Cost:					
Balance, December 31, 2020	-	-	-	-	-
Acquisition (Note 5)	700,000	815,000	815,000	414,000	2,744,000
Balance, December 31, 2021	700,000	815,000	815,000	414,000	2,744,000
Accumulated amortization:					
Balance, December 31, 2020	-	-	-	-	-
Amortization	64,168	74,708	74,708	17,250	230,834
Balance, December 31, 2021	64,168	74,708	74,708	17,250	230,834
Carrying amounts:					
Balance, December 31, 2021	635,832	740,292	740,292	396,750	2,513,166

12) Goodwill

	Total \$
Cost:	
Balance, December 31, 2020	-
Acquisitions (Note 5)	365,622
Balance, December 31, 2021	365,622

Goodwill is tested for impairment at the consolidated entity level, as there is only one CGU. The Corporation completed its annual impairment test of goodwill as of December 31, 2021, using a fair value less costs of disposal model. The recoverable amount exceeded carrying value, as a result, no impairment loss was recorded for goodwill for the year of 2021.

The carrying amount was compared with the fair value less costs to sell to test for impairment. For 2021, fair value less costs to sell were determined using a market capitalization approach.

13) Lease liability

	Total \$
Balance, December 31, 2020	-
Additions	96,282
Payments	(45,375)
Interest expense	2,074
Balance, December 31, 2021	52,981

Lease liabilities are presented in the statement of financial position as follows:

	Incremental Borrowing Rate (%)	Maturity	\$
Current	2.95	2022	48,591
Non-current	2.95	2023	4,390
Lease liability			52,981

Interest expense of \$2,074 is included in financing expense and payments are applied against the lease liability.

The maturity analysis of the lease liabilities at December 31, 2021 is as follows:

	\$
2022	49,500
2023	4,125
Total undiscounted lease payments	53,625
Present value of lease payments	644
Net investment in the lease	52,981

Lease expenses relating to short-term leases amounted to \$21,139 and were recorded as general and administrative expenses.

14) Share capital

At December 31, 2021, the Corporation had authorized an unlimited number of Common Shares without par value, and an unlimited number of preferred shares. Common Shares are voting, participating and are not subject to restrictions. Preferred shares may be issued in series. At the end of the Year the Corporation had 58,523,100 Common Shares, and Nil Preferred Shares issued and outstanding.

On December 22, 2020, the Corporation issued 100 Common Shares at a weighted average value of \$0.10 per share for net proceeds of \$10.

On January 27, 2021 Delta completed the Asset Purchase acquiring the Clean Energy Assets of HTC. The Clean Energy Assets consist of all of the IP and certain contractual agreements for the operation of HTC's CO2 capture systems and reclaimer systems. The Purchase Agreement reflects a deemed purchase price of \$4,000,000 however as a result of the accounting treatment of the Common Shares issued, the financial statements reflect a value of \$3,300,000 for the 20,000,000 Common Shares issued. Consideration Shares are subject to a pooling arrangement with a release schedule over a period of 24 months whereby 10% of the Consideration Shares were released upon the 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 below). No finder's fees were payable in connection with the Asset Purchase.

On January 27, 2021, immediately following the closing of the Asset Purchase, the Corporation completed the first tranche of a Private Placement. The first tranche of the Private Placement comprised of 36,200,000 Units of Delta at a price of \$00.20 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. 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. The issue price allocated to the share portion of the Unit was \$0.165 and \$0.035 was allocated to each half warrant and recorded within warrants. Cash paid for issuance costs capitalized to Share Capital total \$635,357.

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. 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. The issue price allocated to the share portion of the Unit was \$0.165 and \$0.035 was allocated to each half warrant and recorded within warrants. Pursuant to the offering (including the first tranche), the Corporation issued 1,398,750 finders' warrants and were netted against proceeds. Finders' warrants are exercisable at a price of \$0.20 for a period of 4 years.

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. 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. The issue price allocated to the share portion of the Unit was \$0.165 and \$0.035 was allocated to each half warrant and recorded within warrants.

Common Shares	As at December 31, 2021		As at December 31, 2020	
	Number	Amount	Number	Amount
Balance, beginning of Period	100	\$ 10	-	\$ -
Issuance on incorporation	-	-	100	10
Issuance on Asset Purchase	20,000,000	3,300,000	-	-
January 27, 2021 Private Placement	36,200,000	5,973,000	-	-
January 29, 2021 Private Placement	2,150,000	354,750	-	-
April 16, 2021 Private Placement	173,000	28,545	-	-
Issuance costs	-	(662,650)	-	-
Balance, end of Year	58,523,100	\$ 8,993,655	100	\$ 10

15) Warrants

The Corporation's warrants as at and for the year ended December 31, 2021 were as follows:

Warrants	Number	Weighted average exercise price	Fair Value of Warrants
Balance, beginning of Period	-	\$ -	\$ -
January 27, 2021 Private Placement	18,100,000	0.50	1,267,000
January 27, 2021 Finders Warrants	1,398,750	0.20	167,850
January 29, 2021 Private Placement	1,075,000	0.50	75,250
April 16, 2021 Private Placement	86,500	0.50	6,055
Issuance costs	-	-	(140,561)
Balance, end of Year	20,660,250	\$ 0.48	\$ 1,375,594

As at December 31, 2021, outstanding warrants to acquire common shares of the Corporation were netted against proceeds as follows:

Number outstanding	Grant date	Expiry date	Exercise price (\$)	Grant date fair value (\$)	Expected life (yrs)	Expected dividend yield	Risk-free interest rate	Volatility
18,100,000	January 27, 2021	January 27, 2025	0.50	1,267,000	4	0%	0.51%	120%
1,398,750	January 27, 2021	January 27, 2025	0.20	167,850	4	0%	0.51%	120%
1,075,000	January 29, 2021	January 29, 2025	0.50	75,250	4	0%	0.51%	120%
86,500	April 16, 2021	April 16, 2023	0.50	6,055	4	0%	0.51%	120%
20,660,250			0.48	1,516,155	4	0%	0.51%	120%

As at December 31, 2021, the warrants outstanding had a weighted average remaining contractual life of 3.1 years. Expected volatility is based on the historical share price of companies in a comparable industry.

16) Option and RSU plan

On February 9, 2021, 5,600,000 options were granted to employees. Of these shares, 1,600,000 vested immediately, the remainder of the shares vest over 1, 2 and 3 years. The exercise price of the share options is equal \$0.20/option. The fair value of the share options is estimated at the grant date using a Black Scholes model, taking into account the terms and conditions on which the share options were granted. The performance condition considered in determining the number of instruments that will ultimately vest assumes all options will vest given that the employees were acquired as part of the HTC business acquisition. The options can be exercised one year after the one to three year vesting periods for a total contractual term of 4 years for each option. The options are considered equity settled but can be cash settled with the approval of the board. Delta has accounted for the options as an equity-settled plan.

On November 1, 2021, 500,000 stock options were granted for third party services. The shares vest over 12 months but the services provided have the duration of 6 months. The fair value of the share options is estimated at the grant date using a Black Scholes model, taking into account the terms and conditions on which the share options were granted. The performance condition considered in determining the number of instruments that will ultimately vest assumes all options will vest over the 6 months that investment services are received. The options can be exercised after one year up to four years after vesting periods for a total contractual term of 5 years for each option. The options are equity settled and have been accounted for as an equity-settled plan. The options outstanding at December 31, 2021 had an exercise price \$0.20 or \$0.61 and weighted average contract life of 3.25 years.

For the Year ended December 31, 2021, the company recorded share-based compensation of \$394,441.

	Employee Stock Option Plan	Options for Services
Dividend yield (%)	-	-
Expected volatility	120%	120%
Risk-free interest rate (%)	.51%	0.29%
Expected life of share options	4	5
Stock Price	0.165	0.61
Estimated Fair Value (\$)	0.12	0.20

	December 31, 2021		December 31, 2020	
	Number of options	Weighted Average Exercise Price(\$)	Number of options	Weighted Average Exercise Price
Balance beginning of year	-	-	-	-
Granted	6,200,000	0.25	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Balance, end of Year	6,200,000	0.25	-	-

Restricted Share Units

On February 9, 2021, the company granted 5,300,000 RSU's to the directors of the company and were valued at \$0.165 per share. Of the RSU's granted 300,000 vest immediately. The remaining 5,000,000 RSU vest every 6 months over 2 years. The RSUs are equity-settled and each RSU can be settled for one common share for no consideration. The vested RSU were recorded in contributed surplus.

For the year ended December 31, 2021, the company recorded share-based compensation related to RSU of \$648,190.

17) Basic and diluted income per share

The basic and dilutive earnings per share have been calculated using the weighted average number of Common Shares outstanding during the Period. Since there are no items of a dilutive nature, the basic and dilutive share amounts are the same. The total basic and dilutive weighted average number of Common Shares for December 31, 2021 is 54,293,526.

	December 31, 2021		
	Net income \$	Weighted average common shares	Income per share \$
Basic and dilutive	(4,258,236)	54,293,526	(0.07)

18) Income taxes

Income tax provision (recovery) differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate of 27% for the following reasons:

For the three months ended	December 31, 2021
Loss before income taxes	\$ (4,258,236)
Statutory tax rate	27%
Expected income tax recovery	(1,149,724)
Increase (reduction) attributable to:	
Deferred income tax asset not recognized	1,152,022
Other	(2,298)
Income tax expense (recovery)	\$ -

Income tax (recovery) is allocated as follows:

	December 31, 2021
Current tax (recovery) expense	\$ -
Deferred tax (recovery) expense	-
	\$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2021
Property, plant and equipment	\$ (1,432)
Investments	15,293
Intangible assets	(49,212)
Goodwill	(4,515)
Loss carry forwards	1,191,647
Other	241
Deferred tax asset	\$ 1,152,022

The Canadian non-capital loss carry forwards expire as noted in the table below.

The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available which the Corporation can utilize the benefits therefrom.

The Corporation's Canadian non-capital income tax losses expire as follows:

2041	\$ 4,413,507
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19) Changes in Working Capital and Other

The net change in the non-cash working capital balances related to continuing operations is calculated as follows:

Change in working capital is comprised of	December 31, 2021
Accounts receivables	\$ (5,708)
Government receivables	(43,844)
Prepays expenses and deposits	(14,832)
Accounts payable and accrued liabilities	326,198
	\$ 261,814

20) Financial Risk Management

Management's risk management policies are typically performed as a part of the overall management of the Corporation's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Corporation is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Corporation has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Corporation, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

a) Credit risk

The risk of financial loss in the event of failure of a customer or counterparty to a financial instrument to meet its contractual obligation is defined as credit risk. The Corporation's principal exposure to credit risk is in respect to its accounts receivable. In order to reduce the risk on its accounts receivable, the Corporation has adopted credit policies which mandate performing an ongoing credit review of all its customers and establishing allowances for bad debts when the amounts are not collectible. The allowance for bad debt at December 31, 2021 was \$Nil.

Due to the nature of the Corporation's operations, Management considers accounts receivable outstanding for 90 days or less, to be current amounts. Over 90 days are also considered current, if extended terms exist and security is provided, or amounts are subject to contract restrictions and performance markers. The aging of the Corporation's accounts receivable at December 31, 2021 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at December 31, 2021	\$ 17,048	\$ 2,598	\$ 19,646

b) Currency risk

The Corporation is exposed to currency risk as a certain portion of sales and expenses are incurred in US dollars resulting in US denominated accounts receivable and accounts payable. These balances are, therefore, subject to gains and losses due to fluctuations in that currency in relation to the Canadian dollar.

The Canadian dollar equivalent amounts of the balances denominated in US funds at December 31, 2021 are:

Cash	<u>597</u>
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c) 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 Corporation's only interest-bearing financial instrument is the GIC that it holds as at December 31, 2021 at a fixed rate of interest.

d) Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The Corporation's main sources of liquidity are its operations and equity financing. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Corporation's financial obligations associated with financial liabilities.

The timing of cash outflows relating to the financial liabilities are outlined in the table below:

December 31, 2021	< 1 year	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 326,198	\$ -	\$ -	\$ -	\$ 326,198
Lease liability	48,591	4,390	-	-	52,981
Balance	\$ 374,789	\$ 4,390	\$ -	\$ -	\$ 379,179

21) Financial Instruments

Fair Value

For all current assets and liabilities, the difference between cost and fair value is assumed to be negligible due to the short-term maturities of these items. The following table provides a summary, by class and level on the fair value hierarchy, of the financial assets and liabilities that are measured at fair value, together with the carrying amounts included in the consolidated statements of financial position, as at December 31, 2021 and December 31, 2020:

	December 31, 2021		
	Level	Carrying amount	Fair value
Financial assets			
<i>Amortized cost</i>			
Accounts receivable and accrued receivables		\$ 19,646	\$ 19,646
<i>Fair value through profit and loss</i>			
Cash	1	759,915	759,915
Guaranteed investment certificate	1	3,500,000	3,500,000
Listed common shares	1	98,255	98,255
Unlisted common shares	3	100,000	100,000
Financial Liabilities			
<i>Amortized cost</i>			
Accounts payable and accrued liabilities		326,198	326,198
Lease liabilities		52,981	52,981

	December 31, 2020		
	Level	Carrying amount	Fair value
Financial assets			
<i>Fair value through profit and loss</i>			
Cash	1	\$ 10	\$ 10

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest from financial instruments is recognized in finance costs.

22) Capital Disclosures

There are no restrictions on the Corporation's capital. The Corporation's capital is summarized as follows:

	December 31, 2021	December 31, 2020
Shareholders' equity	\$ 7,153,644	\$ 10

The Corporation's objectives when managing capital are to:

- maintain financial flexibility in order to preserve its ability to meet financial obligations;
- deploy capital to provide an appropriate investment return to its shareholders in the future; and
- maintain a capital structure that allows multiple financing options to the Corporation, should a financing need arise.

The Corporation's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Corporation may raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

23) Related Party

Related party transactions include transactions with corporate investors who have representation on the Corporation's Board.

During the Period, the Corporation paid \$8,169 for legal services for a law firm that a director is a partner of. As of December 31, 2021, there are \$Nil amounts owing to the law firm (December 31, 2020 - \$Nil).

Clearview Financial Services Inc. (“**Clearview**”) is a related party due to one common director. During the Period, the Corporation paid \$75,000 in consulting and \$9,600 in rent expense. At December 31, 2021, there are amounts payable of \$Nil (December 31, 2020 - \$Nil).

KF Group of Companies (“**KF Group**”) is a related party due to one common director. During the Year, the Corporation paid \$41,985 in rent expense. At December 31, 2021, there are amounts payable of \$Nil (December 31, 2020 - \$Nil).

HTC is a related party due to common directors. On January 27, 2021, **Delta** announced it had acquired assets comprising **HTC**'s Clean Energy Assets, pursuant to the Asset Purchase (See Note 2 and Note 5). During the Period, the Corporation paid \$370,000 to **HTC** for fees incurred for the preparation of the prospectus and private placement documentation. As of December 31, 2021, there are \$Nil amounts owing to **HTC** (December 31, 2020 - \$Nil). As of December 31, 2021, there are \$Nil amounts owing to **HTC** (December 31, 2020 - \$Nil).

The Corporation has identified all of the directors and officers as its key management personnel. During the Period, the Corporation did not incur transactions with directors and officers, or companies that are controlled by directors or officers of the Corporation, other than disclosed above.

24) Key Management Compensation

The remuneration of key management personnel included in the Statements of Loss were:

For the year ended	December 31, 2021
Operating wages and consulting	
Salaries and short-term benefits	\$ 240,560
Consulting	125,000
Stock based compensation	
Options and RSU's	498,192
Total key management compensation	\$ 863,752

The key management personnel of the Corporation consist of the executive officers and members of the Board. Key management personnel include those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly and indirectly.

The Corporation has employment agreements with its Chairman and CEO, and CFO, and a consulting agreement with its President. Yearly compensation is paid in accordance with the remuneration package agreed upon by the disinterested board of directors and the individual respectively.

Under the Chairman and CEO employment agreement, the Corporation may terminate the agreement without cause, and the employee may terminate for good cause, and in both instances: (i) the Corporation shall be liable to pay, in lieu of notice, or any combination of both, a severance equal to 36 months, based on the base salary and bonus commitments; (ii) all unvested Stock Options and/or RSU will immediately vest and be exercisable. In the event of a change in control, all unvested securities granted or issued shall automatically vest and, at the option of the employee, the employee may resign and be entitled to a lump sum payment equal to the value of his base salary and any bonus, equal to 36 months.

During the Year, \$4,500 were paid in director fees. In addition to their salaries, senior management and directors also participate in the Corporation's share-based compensation plans.

25) Subsequent Events

a) OTCQB

On January 19, 2022, DELTA expanded its listing of its common shares to began trading on the OTCQB venture Marketplace (“OTCQB”), a U.S. trading platform that is operated by the OTC Markets Group in New York under the symbol “DCTIF”.

b) Changes to the Board

On April 28, 2022 director Wayne Bernakevitch was appointed Chairman of the Board and Jeffrey Allison was appointed Chief Executive Officer of the Corporation.