Kleen HY-DRO-GEN Inc.
Form 2A - Listing Statement

June 18, 2025

FORM 2A

LISTING STATEMENT

FORWARD LOOKING STATEMENTS

This Listing Statement contains “forward-looking information” within the meaning of applicable Canadian securities legislation that are based on expectations, estimates and projections as at the date of this Listing Statement, as applicable. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “does not expect”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or states that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken to occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Examples of forward-looking statements include, among others, statements relating to information regarding: the intention to grow the business and operations of the Issuer and the potential success of its products; statements pertaining to, without limitation, expected capital expenditures and the use of available funds, the availability of future capital, cost and timing of research and development activities, success of any such activities, permitting requirements, requirements for additional capital, governmental regulation, environmental risks and hazards, the adoption of hydrogen as a fuel source and growth of green energy solutions generally, the ability of the Issuer to set industry benchmarks and the anticipated reduction in energy costs associated with the use of the Issuer's products. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management’s current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Issuer.

With respect to forward-looking statements and forward-looking information contained in this Listing Statement, numerous assumptions have been made regarding, among other things: limited operating history risks; additional financing risks; current global financial condition risks; market price risks; limited market for securities risks; hydrogen and commodity prices risks; risks related to the growth of the green energy sector and general acceptance of hydrogen as a fuel source; safety risks; operating and insurance risks; environmental risks; research and development risks; early stage development risks; personnel risk; government regulation risks; reliance on management risks; conflicts of interest risks; increasing competition risks; management and operational growth risks; currency rate risks; damage to reputation risks; substantial capital expenditures risks; availability of infrastructure risks; permits and licensing risks; climate change risks; health and safety risks; operating hazard risks; and other factors, many of which are beyond the control of the Issuer. The foregoing list of assumptions is not exhaustive. Actual results could differ materially from those anticipated in forward-looking statements as a result of various events and circumstances, including, among other things, the risk factors set forth under the heading “Risk Factors”.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking information contained in this Listing Statement. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this Listing Statement. All subsequent forward-looking information of the Issuer herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Issuer does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Listing Statement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

GLOSSARY

"**0755**" means 0755461 B.C. Ltd., a company existing under the laws of the Province of British Columbia.

"**Amalco**" means the amalgamated entity resulting from the Amalgamation, which continued as a wholly-owned subsidiary of the Issuer.

"**Amalgamation**" means the amalgamation pursuant to which Kleen and Subco amalgamated and continued as Amalco, and each Kleen Class A Share and Kleen Class B Share (other than those Kleen Shares held by shareholders of Kleen exercising their applicable dissent rights) was exchanged for one Resulting Issuer Class A Share and one Resulting Issuer Non-Voting Class B Share, respectively.

“**Article Amendment**” means the amendment of the Articles and Notice of Articles of 0755 to (i) create a new class of Resulting Issuer Class A Shares; (ii) create a new class of Resulting Issuer Non-Voting Class B Shares; (iii) exchange each post-Consolidation Common Share outstanding for one Resulting Issuer Non-Voting Class B Share; and (iv) cancel the existing class of Common Shares.

"**Audit Committee**" means the audit committee of the Board.

"**BCBCA**" means the *Business Corporations Act* (British Columbia) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Board**" means the board of directors of the Issuer.

"**Common Shares**" means common shares of 0755.

"**Consolidation**" means the consolidation of the issued and outstanding Common Shares on the basis of one "new" Common Share for every 994.8203431 "old" Common Shares.

"**CSE**" means the Canadian Securities Exchange.

"**DC&P**" means disclosure controls and procedures.

"**Effective Date**" means the date on which the last of all necessary documents to effect the Amalgamation were filed with the Registrar of Companies under the BCBCA.

"**Effective Time**" means 12:01 a.m. (Pacific time) on the Effective Date.

"**Eligible Person**" shall have the meaning ascribed thereto in item 9.1 hereof.

"**Escrow Agreement**" shall have the meaning ascribed thereto in item 11.1 hereof.

"**GHG**" means greenhouse gases which are gases in the Earth's atmosphere that trap heat.

"**IASB**" means the International Accounting Standards Board.

"**ICFR**" means internal control over financial reporting.

"**IFRS**" means International Financial Reporting Standards, as adopted by the International Accounting Standards Board.

"**IFRSIC**" means the IFRS Interpretations Committee.

"**Issuer**" means Kleen HY-DRO-GEN Inc. as it exists immediately after giving effect to the Transaction, being a company existing under the BCBCA and formerly known as 0755.

"**Kleen**" means Kleen HY-DRO-GEN Inc., a company existing under the laws of the Province of Ontario.

"**Kleen Class A Shares**" means the Class A voting shares in the capital of Kleen.

"**Kleen Class B Shares**" means the Class B non-voting shares in the capital of Kleen.

"**Kleen Options**" means stock options of Kleen to acquire Kleen Class A Shares and/or Kleen Class B Shares pursuant to the stock option plan of Kleen as they existed prior to the Amalgamation.

"**Kleen Shareholders**" means holders of Kleen Shares.

"**Kleen Shares**" means the Kleen Class A Shares and Kleen Class B Shares in the capital of Kleen, collectively.

"**Kleen Unit**" means one unit consisting of one Kleen Class B Share and one Kleen Warrant.

"**Kleen Warrant**" means a share purchase warrant of Kleen exercisable to acquire one Kleen Class B Share at an exercise price of $1.00 until December 3, 2029.

"**Letter Agreement**" means the agreement dated as of September 28, 2023 between 0755 and Kleen governing the terms and conditions of the Transaction, as amended December 11, 2023, January 31, 2024, February 29, 2024, October 15, 2024 and December 16, 2024 and as amended and restated as of March 31, 2025.

"**Listing Date**" means the date the Resulting Issuer Non-Voting Class B Shares are listed on the CSE.

"**MD&A**" means management's discussion and analysis.

"**Name Change**" means the change of name of the Issuer from 0755461 B.C. Ltd. to Kleen HY-DRO-GEN Inc. in connection with the Transaction.

"**NI 52-109**" means National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

"**NI 52-110**" means National Instrument 52-110 *Audit Committees*.

"**NP 46-201**" means National Policy 46-201 — *Escrow for Initial Public Offerings*.

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**Option Plan**" means the stock option plan of the Issuer.

"**Private Placement**" means the non-brokered private placement which was completed by Kleen as a condition of the completion of the Transaction, pursuant to which Kleen issued 4,000,000 Kleen Units at a price of C$1.00 each to raise aggregate gross proceeds of C$4,000,000.

"**Related Person**" shall have the meaning ascribed thereto in the policies of the CSE.

"**Resulting Issuer Class A Shares**" means the Class A voting shares in the capital of the Issuer.

"**Resulting Issuer Non-Voting Class B Shares**" means the Class B non-voting shares in the capital of the Issuer.

"**Resulting Issuer Options**" means stock options of the Issuer to acquire Resulting Issuer Class A Shares and/or Resulting Issuer Non-Voting Class B Shares pursuant to the Option Plan.

"**Resulting Issuer Warrant**" means a share purchase warrant of the Issuer exercisable to acquire one Resulting Issuer Non-Voting Class B Share at an exercise price of $1.00 until December 3, 2029.

"**Subco**" means 1001271279 Ontario Ltd., a company existing under the laws of the Province of Ontario and a wholly-owned subsidiary of 0755.

"**Subco Shares**" means common shares of Subco.

"**Tax Act**" means the *Income Tax Act* (Canada).

"**Transaction**" means the transaction effected in accordance with the terms and conditions of the Letter Agreement pursuant to which, amongst other matters, the Consolidation, Article Amendment, Amalgamation and Name Change were completed.

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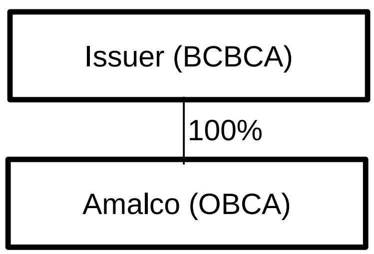
2. CORPORATE STRUCTURE

2.1 The full corporate name of the Issuer is "Kleen HY-DRO-GEN Inc.". The registered office of the Issuer is located at 833 Seymour St., Suite 3606, Vancouver, British Columbia, V6B 0G4, and its head office is located at 253-1885 Clements Road, Pickering, Ontario, L1W 3V4.

2.2 The Issuer was incorporated as "Pro Minerals Inc." under the BCBCA on April 21, 2006. The Issuer was subsequently dissolved effective October 5, 2015, and was reinstated as "0755461 BC Ltd." under the BCSC effective April 19, 2022. In connection with the closing of the Transaction, (i) the name of the Issuer was changed to "Kleen HY-DRO-GEN Inc." pursuant to the Name Change; and (ii) the Consolidation and the Article Amendment were effected pursuant to which (i) every 994.8203431 pre-Consolidation Common Shares outstanding were consolidated into one (1) post-consolidation Common Share; and (ii) the Articles and Notice of Articles of 0755 were amended to (I) create a new class of Resulting Issuer Class A Shares; (II) create a new class of Resulting Issuer Non-Voting Class B Shares; (III) exchange each post-Consolidation Common Share outstanding for one Resulting Issuer Non-Voting Class B Share; and (IV) cancel the existing class of Common Shares.

2.3 The Issuer has no subsidiaries other than as follows:



Upon completion of the Transaction, (i) the Amalgamation was completed pursuant to which Subco amalgamated with Kleen to continue as Amalco; (ii) the Issuer became the legal and beneficial owner of 100% of the issued and outstanding Kleen Shares; and (iii) the Kleen Shareholders received one Resulting Issuer Class A Share and one Resulting Issuer Non-Voting Class B Share for each one Kleen Class A Share and each one Kleen Class B Share held, respectively.

2.4 The Issuer is not requalifying following a fundamental change or proposing an acquisition, amalgamation, merger, reorganization or arrangement other than as described under item 3 below.

2.5 The Issuer is not a non-corporate issuer or an issuer incorporated outside of Canada.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Prior to the completion of the Transaction, the Issuer was engaged in mineral exploration and development until 2013. The assets of the Issuer were written off in 2013, and certain of its liabilities were reclassified as statute barred in 2016. Accordingly, the Issuer was dormant from 2013 to 2024 with no assets or operations. Effective upon completion of the Transaction, the Issuer commenced operation of the business of Kleen, being the development of green and accessible residential heating solutions based on hydrogen heating solutions. The Issuer believes that its products will become a new standard and set an industry benchmark in a hydrogen heating industry.

As a heating fuel, hydrogen is a cleaner-burning molecule that can be a substitute for the combustion of fossil fuels in applications where high-grade heat is needed and where electric heating is not the best option. Following completion of the Transaction, the Issuer's business is focused upon the development and provision of green and accessible residential heating solutions while increasing awareness about the opportunities and safety of hydrogen within the general public, as well as within industry and government.

3.2 Effective September 28, 2023, the Issuer and Kleen entered into an initial version of the Letter Agreement governing the terms and conditions of the Transaction, as subsequently amended December 11, 2023, January 31, 2024, February 29, 2024, October 15, 2024 and December 16, 2024. The provisions of the Letter Agreement are the result of negotiations between representatives of the Issuer and Kleen. Pursuant to the Letter Agreement:

- prior to completion of the Transaction, 0755 effected a reorganization of its share capital by:
  - consolidating the issued and outstanding Common Shares on the basis of one post-Consolidation Common Share for every 994.8203431 pre-Consolidation Common Shares;
  - SubCo issuing an aggregate of 130,000 SubCo Shares in satisfaction of outstanding indebtedness;
  - SubCo issuing an aggregate of 900,000 SubCo Shares in satisfaction of certain finder fees;
  - SubCo issuing an aggregate of 2,809,447 SubCo Shares in satisfaction of cancellation of convertible debentures in the aggregate amount of $55,930, at a conversion price of $0.01990795 (which conversion price was agreed upon between the holders of such convertible debentures and the Issuer);
  - SubCo and a wholly-owned subsidiary of 0755 amalgamated pursuant to a three-cornered amalgamation and the holders of SubCo Shares exchanged their SubCo Shares for post-Consolidation Common Shares on a one-for-one basis; and
  - implementing the Article Amendment pursuant to which 0755 (i) created new classes of Resulting Issuer Class A Shares and Resulting Issuer Non-Voting Class B Shares; (ii) renamed and redesignated all of its issued and unissued post-Consolidation Common Shares as Resulting Issuer Non-Voting Class B Shares; and (iii) cancelled the existing class of Common Shares; and
- upon completion of the Transaction:
  - the Amalgamation was completed pursuant to which Subco and Kleen amalgamated to form Amalco, and each Kleen Shareholder exchanged each one Kleen Class A Share and one Kleen Class B Share (other than

those Kleen Shares held by shareholders of Kleen exercising their applicable dissent rights) held for one Resulting Issuer Class A Share and one Resulting Issuer Non-Voting Class B Share, respectively;

- the Issuer became the sole shareholder of all of the issued and outstanding Kleen Shares;
- the Name Change was effected; and
- the existing officers and directors of 0755 resigned and were replaced by nominees of Kleen.

As a condition of the completion of the Transaction, Kleen completed the Private Placement pursuant to which it issued 4,000,000 Kleen Units at a price of C$1.00 each to raise aggregate gross proceeds of Cdn$4,000,000. It is intended that the proceeds raised pursuant to the Private Placement will be used for further development and promotion of Kleen's hydrogen-related technology and products, and for general corporate purposes.

In addition, as consideration for the third amendment to the Letter Agreement dated February 29, 2024, Kleen provided a non-interest bearing demand loan to 0755 in the principal amount of Cdn$30,000 (the "**Initial Loan**"), which Initial Loan was repayable upon demand by Kleen at any time following the earlier of (i) the completion of Transaction; and (ii) the date upon which the Letter Agreement was terminated by either party in accordance with the terms and conditions thereof. The Initial Loan was forgivable in the event that the Transaction was not completed by an agreed upon termination date, other than in certain specified circumstances. Additionally, as consideration for the fourth amendment to the Letter Agreement dated October 15, 2024, Kleen provided a further non-interest bearing demand loan to 0755 BC in the principal amount of Cdn$15,000 (the "**Additional Loan**"), which was to be used exclusively to fund expenses associated with the proposed Transaction. The Additional Loan was repayable upon demand by Kleen at any time following the earlier of (i) the completion of the Transaction; and (ii) the date upon which the proposed Transaction is terminated by either party in accordance with the Letter Agreement. The Additional Loan was forgivable in the event that the Transaction was not completed by an agreed upon termination date, other than in certain specified circumstances.

3.3 The Issuer is not aware of any trends, commitments or events reasonably expected to have a material effect on its business, other than as set forth under the heading "Risk Factors" below.

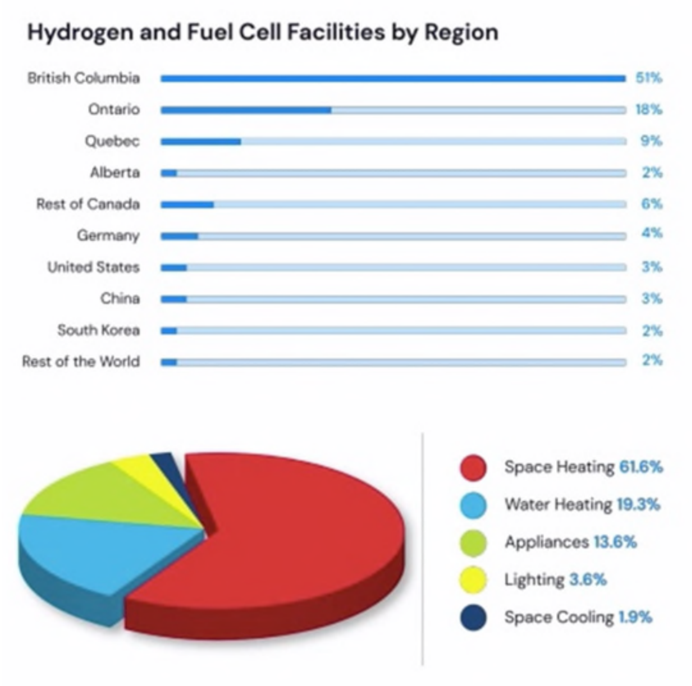
4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 The business of Kleen which the Issuer acquired pursuant to the Transaction is focused upon the development and provision of green and accessible on-demand residential hydrogen-based heating solutions while increasing awareness about the opportunities and safety of hydrogen within the general public as well as within industry and government. The assets of Kleen have associated values and costs reflected in the Kleen Financial Statements referenced at Section 25 of this Listing Statement.

Hydrogen as a Fuel

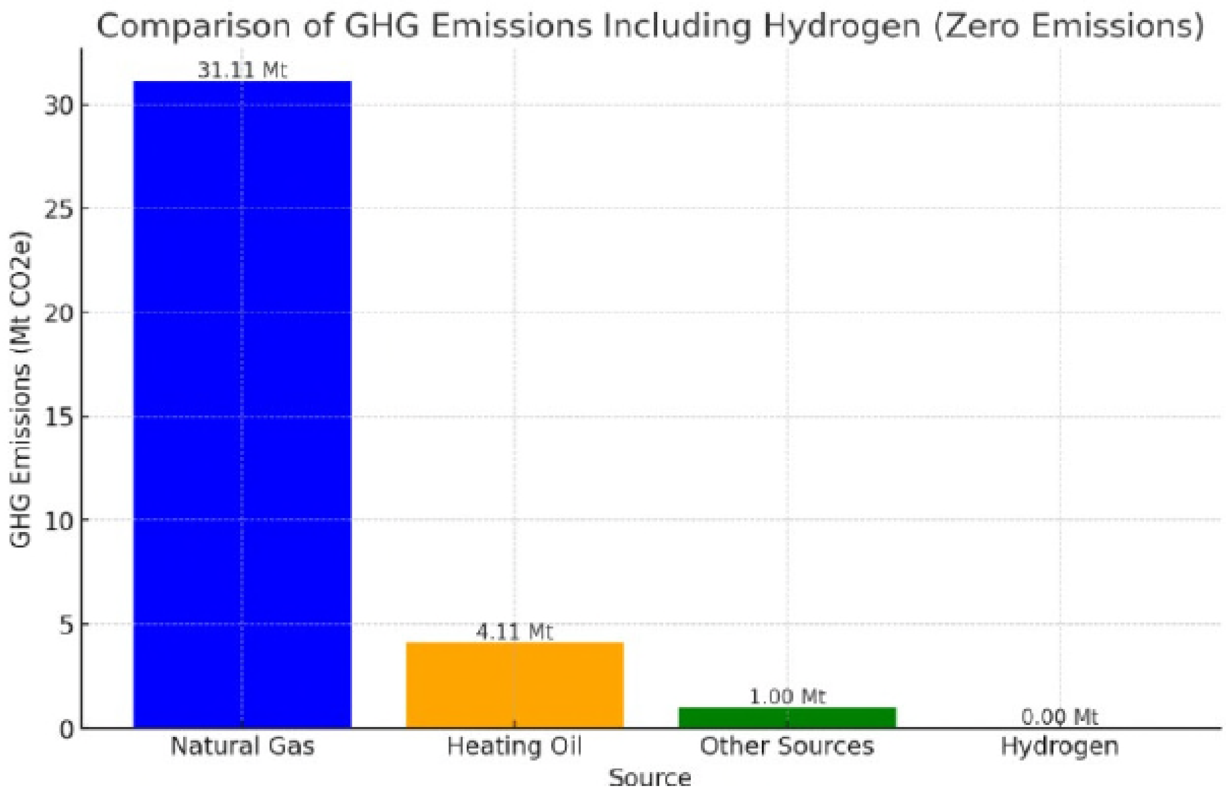
As a heating fuel, hydrogen is a cleaner-burning molecule that can be a substitute for the combustion of fossil fuels in applications where high-grade heat is needed and where electric heating is not the best option.

The need for renewable and sustainable green energy as been steadily increasing in recent years, reflected by the following chart evidencing the use of hydrogen and fuel cell facilities by region:



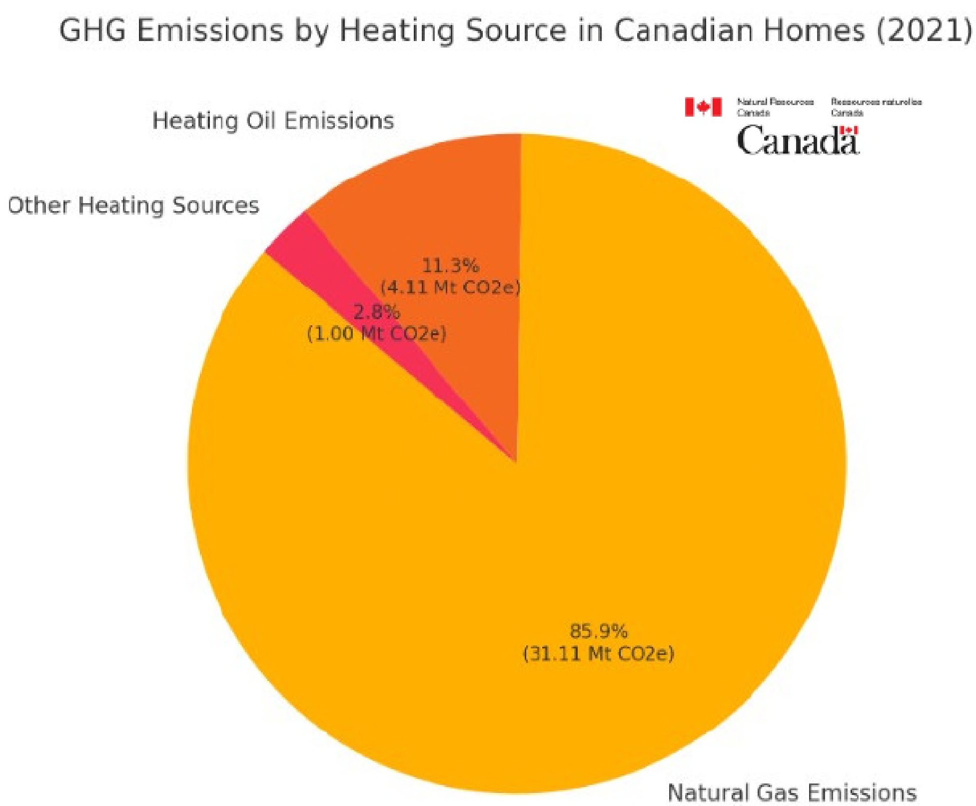
Source: Office of Energy Efficiency Residential Sector - GHG Emissions - Natural Resources Canada

Using hydrogen as heating fuel also allows for a significant decrease in GHG emission compared to traditional other heating solutions, as residential heating comprises approximately 13% of all GHG emissions in Canada (Source: Office of Energy Efficiency Residential Sector - GHG Emissions - Natural Resources Canada 2021), and the Issuer's heating solutions generate zero GHG emissions.



Source: Office of Energy Efficiency Residential Sector - GHG Emissions - Natural Resources Canada 2021

The use of hydrogen heating solutions is expected to be particularly impactful in Canada, due to the fact that the colder climate results in space and water heating solutions accounting for approximately 80.9% of the energy used in the average Canadian home (Source: Office of Energy Efficiency Residential Sector - GHG Emissions - Natural Resources Canada 2021). Canada is also one of the largest hydrogen producers in the world and the Canadian government has made significant investments in the development of technology and the reduction of emissions.



Source: Office of Energy Efficiency Residential Sector - GHG Emissions - Natural Resources Canada 2021

<u>Three-Year History</u>

Product Development

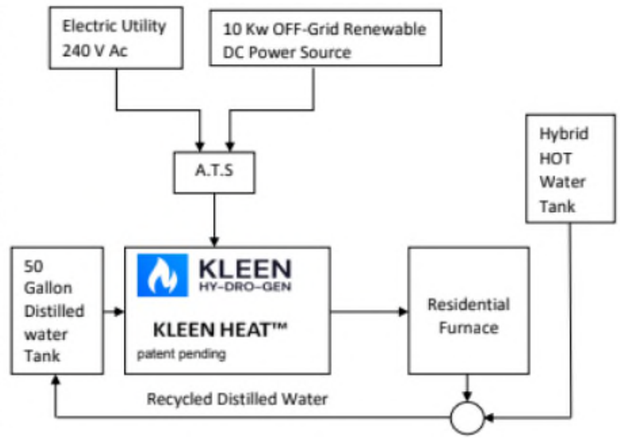
Over the course of the past three years, Kleen has focused on the development of its KLEENHEAT™ hydrogen furnace system which uses a heating method that produces a hydrogen and oxygen gas mixture using water electrolysis. This on-demand gas production requires zero storage and produces recycled water as a by-product that is fed back to the system. With this approach, there is no production of any GHG emissions. As a result of its lower operational power requirements, the KLEENHEAT™ system can be used in conjunction with numerous green energy sources, such as wind, solar and other off-grid green sources. It also seamlessly integrates with either forced-air heating or central heating systems.

The product specifications of the KLEENHEAT™ system are set forth below:

Product Specification

2. Technical Parameters

Main Power / Supply Voltage	Two-phase 240 V Ac
Grid-Tie Rated Power	7.5 Kw/hr
Off-Grid Rated Power	5.4 Kw/hr
Maximum Working Pressure	0.2 mpa
Maximum Water Consumption	1.0 L/hr
Gas Production	0 : 0005 m^3/s
Water supply	Automatic distilled water feed
Electrolyte Solution / weight	(25% KOH) / 23 Kg
Unit Net Weight	250 Kg
Unit Dimensions / size (L*W*H)	(26.5*41*40) inch
Kleen H2 Burner Manifold assembly	Custom retrofit to replace existing furnace manifold
Electrical & Electronic Control unit	One unit
PTFE ¼" Hydrogen lines	Custom length
½" water supply line	Custom length
50 Gallon water tank	(19*36*19) inch
Hydrogen Gas Flash-back safety	Flash-Back Arrestors Pressure / Flow 0.2mpa @ 3.2m^3/hr



Kleen has not generated revenues from the sale of its KLEENHEAT™ furnce systems over the past three completed fiscal years, as its products are still in the development and testing phase. Over the past three years, the development of its KLEENHEAT™ system went through different phases including with respect to the development of aqueous solution level detection sensors with automatic replenishment; temperature controlled copper forced air heat sink and spiral water cooling system; high efficiency water electrolysis hydrogen generator unit; high efficiency AC-DC & DC-DC power supply units; custom hydrogen burners assembly; multi stage flash back safety system; and auto drain filtration system, as well as the building of several prototypes and testing in a house owned by the CEO of Kleen.

Kleen has not yet spent any significant efforts focused on sales or marketing of its product until the final stages of testing are complete and relevant certifications are received.

In furtherance of advancing the KLEENHEAT™ system towards the commercialization stage, Kleen proposes to take the following steps over the remainder of 2025:

- Completion of a second phase of beta testing with a larger user group, targetd for completion in the third quarter of 2025;
- TSSA certification targeted by the end of 2025;
- ISO 14064 Green House Gas "GHG" emissions verification and validation followed by final performance optimization, both targeted by the end of 2025; and
- ESA and ULC certification targeted by the end of 2025

Kleen estimates costs of approximately $200,000 to obtain the above-noted certifications and approximately $185,000 for the remainder of the product development expenses above (inclusive of material, supplies and engineering costs).

Intellectual Property

Kleen is the registered applicant and owner for PCT/CA2020/051490 (International Publication No. WO 2021/087603), filed November 3, 2020, for a pending patent titled "Process and Apparatus for Combusting Hydrogen". Kleen's application has designated over 120 different countries including, but not limited to, the USA, Canada, Japan, China, Australia and the European Union.

Kleen also has additional patent application pending as follows:

Patent Number / Description	Jurisdiction	Status
US 17/774,694 [SB ref R-054086-3005/91019219] relating to the hydrogen combustion process and furnace	United States	Pending and in good standing
US 18/862,841 [SB ref R-054086-6005/92771700] relating to recycling combustion products	United States	Pending and in good standing
CA 3154714 [SB ref R-054086-3006/91019220] relating to the hydrogen combustion process and furnace	Canada	Pending and in good standing
CA 3257322 [SB ref R-054086-6002/92771685] relating to recycling combustion products	Canada	Pending and in good standing
Application No. 2022-526384 [SB ref R-054086-3010/91019224] relating to the hydrogen combustion process and furnace	Japan	Response to office action filed December 27, 2024
Divisional Application No. 2024-086365 [SB ref R-054086-3010D1/92532410]		Pending and in good standing
Application No. 2020380418 [SB ref R-054086-3007/91019221] relating to the hydrogen combustion process and furnace	Australia	Lapsed
Divisional Application No. 2020380418 [SB ref R-054086-3007D1/92512152]		Pending and in good standing
Divisional Application No. 2024202099 [SB ref R-054086-3007D2/ 92631649]		Pending and in good standing
Application No. 20885579.1 [SB ref R-054086-3009/91019223] relating to the hydrogen combustion process and furnace	Europe	Pending and in good standing
Application No. 62023069962.6 [SB ref R-054086-3012/91019226] relating to the hydrogen combustion process and furnace	Hong Kong	Pending and in good standing

Application No. 2024-565051 [SB ref R-054086-6004/92771695] relating to recycling combustion products	Japan	Pending and in good standing
Application No. 2023264113 [SB ref R-054086-6001/92771680] relating to recycling combustion products	Australia	Pending and in good standing
Application No. 23799074.2 [SB ref R-054086-6003/92771690] relating to recycling combustion products	Europe	Pending and in good standing

Carbon Credit Trading

Kleen is currently seeking to obtain validations and certifications for carbon credit programs. Personal carbon trading refers to a proposed emissions trading program in which emissions credits are allocated to adult individuals on a generally equal per capita basis within national carbon budgets. Individuals exchange these credits when purchasing fuel or energy. Those individuals who utilize green energy technology, such as the KLEENHEAT™ system will have the opportunity to sell their surplus credits in a carbon credit marketplace.

Business Objectives

With the funds available to it as described below under the sub-heading "Total Available Funds" and "Principal Purposes of Funds Available", the Issuer intends to, during the 12 months following the date of this Listing Statement:

- complete its application for listing of the Resulting Issuer Non-Voting Class B Shares on the CSE which is anticipated to occur in Q2 2025; and
- further develop and commercialize its product offerings as detailed below under the heading "Milestones".

Milestones

Set forth below are a series of milestones which the Issuer will target over the 12-month period following the completion of the Transaction in order to achieve its above-noted objectives, together with anticipated timelines and estimated costs.

Milestones/Events	Estimated Timeline	Estimated Cost
Certification of Kleenheat system with TSSA,CSA-UL-CE, European Homologation and Carbon credit validation and verification certificate	*6 months to 12 months*	$200,000
Development of marketing and sales force	*6 - 12 months*	$500,000
Development of carbon credit software	*6- 8 months*	$150,000
Development of off grid battery system for KleenHeat system	*6-12 months*	$225,000

Due to the nature of the green energy business, budgets are regularly reviewed with respect to both the success of the commercialization of new products and other opportunities which may become available to the Issuer on a going forward basis. Accordingly, as time progresses, the Issuer may alter its business objectives and/or may focus on other developments or opportunities that may arise from time to time, although the Issuer has no present plans in this respect.

Total Available Funds

The Issuer had available working capital of approximately Cdn$5,000,000 as of June 18, 2025 (inclusive of the proceeds of the Private Placement).

Principal Purposes of Funds Available

The following table summarizes expenditures anticipated by the Issuer required to achieve its business objectives during the 12 months following completion of the Transaction and the proposed listing of the Resulting Issuer Non-Voting Class B Shares on the CSE.

Principal Purpose	**Amount (Cdn$)[(1)]**
Certification of Kleenheat system with TSSA,CSA-UL-CE, European Homologation and Carbon credit validation and verification certificate (see sections entitled "Business Objectives" and "Milestones" above)	$200,000
Development of marketing and sales force (see sections entitled "Business Objectives" and "Milestones" above)	$500,000
Development of carbon credit software (see sections entitled "Business Objectives" and "Milestones" above)	$150,000
Development of off grid battery system for KleenHeat system (see sections entitled "Business Objectives" and "Milestones" above)	$225,000
Second phase of beta testing and product development costs (see section entitled "Business Objectives" above)	$185,000
General and administrative expenses	$795,000[(2)]
Unallocated	$2,945,000

(1) All amounts presented in Canadian dollars.
(2) Consists of transfer agent fees ($5,000), legal fees ($40,000), audit costs ($40,000), estimated management and consulting fees ($695,000), insurance expenses ($5,000) and office administration and other miscellaneous expenses ($10,000).

The Issuer intends to spend the funds available to it as stated in the table above. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Issuer to achieve its objectives or to pursue other exploration and development opportunities. See "*Risk Factors*".

4.2 Principal Products or Services

KLEENHEAT™ systems use a heating method that produces a hydrogen and oxygen gas mixture using water electrolysis. With this approach, there is no production of any GHG emissions. As a result of its lower operational power requirements, the KLEENHEAT™ system can be used in conjunction with numerous green energy sources, such as wind, solar and other off-grid green sources, and also seamlessly integrates with either forced-air heating or central heating systems.

Subject to the requirements of individual customers, KLEENHEAT™ systems are fully integrated and equipped with manual and/or automatic control modes that regulate temperatures within a control accuracy of +/- 1 degree Celsius. In addition, water, atmosphere pressure and hydrogen production are electronically controlled and can be remotely monitored according to individual client requirements. The product is manufactured from Stainless Steel, Hastelloy and other specialty materials, and will conform with all applicable industry standards & safety regulations.

The KLEENHEAT™ system is expected to be developed over the ensuing 12 months as set forth above under the heading "*Milestones*". No revenues have been generated by the KLEENHEAT™ system over the two most recently completed fiscal years.

The principal market which the Issuer intends to target for commercialization of the KLEENHEAT™ system is the residential housing market (both new developments as well as a retrofit system for existing houses). See also section titled "*Production and Sales*" below.

4.3 Production and Sales

The development and sales of the KLEENHEAT™ systems will form the primary business of the Issuer following completion of the Transaction.

Industry Overview

In the United States, 59% of residential heating and cooling systems operate on fossil fuels such as oil, gas, or propane (Source: United States 2020 Residential Energy Consumption Survey (RECS)), in respect of which natural gas is by far the most popular – supplying 63 million or 51% of US households. Heating oil and propane are each used in around 4% of households. Despite their widespread use, these sources of energy are problematic.

From an environmental perspective, all three are a significant source of CO_2 emissions. Although natural gas is still a fossil fuel, it is preferable because it is up to 40% cleaner than heating oil or propane (Source: US Environmental Protection Agency). It also produces fewer harmful pollutants, such as sulfur dioxide and particulate matter. The environmental footprint of oil, gas, and propane extends beyond their combustion in homes. The entire lifecycle of these fuels – from drilling and extraction to refining and transportation – incurs significant ecological and energy costs.

The issues with gas and oil extend into two other pressing areas – safety and price volatility. Explosions and oil leaks put consumers and the environment at risk. Meanwhile, geopolitical tensions and fluctuating demand contribute to unpredictable fuel prices, making it difficult for businesses to plan and for consumers to manage their budgets.

The HVAC industry has turned to electricity as a promising alternative, drawn by its potential to be generated from renewable energy sources such as solar, wind, hydroelectric, and geothermal power. This is theoretically sound, offering a path to greener operations, but the practical implementation of electric HVAC systems is complicated. While electric boilers do not emit greenhouse gases at the point of use, the production of electricity in fossil fuel-powered plants does. The overall environmental friendliness of electric heating significantly depends on the mix of energy sources used to generate electricity. As of 2022, 60% of electricity generation is still created through fossil fuels. In addition, shifting from traditional oil or gas heating to an electric HVAC setup involves a complete system replacement, not just a simple retrofit. Beyond the immediate costs of system replacement, there are broader infrastructure concerns. Many buildings, especially older ones, may not have electrical systems that can support the high demand of electric heating. Upgrading these systems to handle increased electrical loads adds complexity and expense.

It is within this broader context that hydrogen is beginning to gain recognition as an eco-friendly choice for heating and cooling. Its unique attributes and compatibility with existing infrastructure present a different set of advantages and challenges compared to fully electric solutions. While the future of hydrogen fuel is promising, it is also largely dependent on investment in hydrogen initiatives to bring this technology to maturity. Several countries are conducting pilot projects to test the feasibility and efficiency of hydrogen heating systems in residential and commercial settings, including in the United States and the European Union.

Positioning and Competitive Differentiators

The Issuer believes that the KLEENHEAT™ systems have several competitive advantages, particularly due to the fact that the KLEENHEAT™ system produces hydrogen through the use of water electrolysis whereas other hydrogen energy providers require the storage of liquid hydrogen and utilize fuel cells. Accordingly, the Issuer is not aware of any competitor that uses its hydrogen heating methods which require no storage and generate hydrogen on demand.

Development and Production

Set forth below is a summary of the key milestones in the developmental history of the KLEENHEAT™ system:

Year	***Milestone***
2022	• Development of aqueous solution level detection sensors with automatic replenishment • Development of temperature controlled copper forced air heat sink and spiral water cooling radiator
2023	• Development of high efficient water electrolysis hydrogen generator units and AC-DC & DC-DC power supply units • Development of Custom Hydrogen burners assembly for manifold
2024	• Multi-stage flash back safety system for combustion safety • Development of auto drain filtration unit • Several hydrogen generator prototypes built with various production capacities • Development of custom control system and proprietary stoichiometric gas combustion ratio • Completion of complete hydrogen retrofit installation kit including all accessories required for most branded furnaces

Following the completion of the Transaction, the Issuer intends to further develop the operations and products of Kleen as set forth above under the heading "*Milestones*".

Upon completion of the Transaction, the Issuer has an aggregate of four direct and indirect employees. In addition, the Issuer expects to rely on and engage consultants with all requisite skill and knowledge on a contract basis.

The Issuer's intellectual property rights are very important to its business. In accordance with industry practice, the Issuer protects its proprietary products, technology and competitive advantage through a combination of contractual provisions and trade secrets, patents, copyright and trademark laws in the jurisdictions in which it conducts its business, as applicable. The Issuer will also utilize confidentiality agreements, assignment agreements and license agreements with employees and third parties, which limit access to and use of its intellectual property, where appropriate.

4.4 Competitive Conditions

The Issuer's business plan will leverage the anticipated growing demand for cost savings and clean energy alternatives to promote its hydrogen-based heating system to a broadening residential marketplace. The Issuer believes it will be competitively positioned and while it does not believe that any specific competitor offers the distinct value proposition and integrated capabilities that it will offer, the green energy industry is rapidly changing and highly competitive. However, the Issuer believes that the KLEENHEAT™ systems have several competitive advantages, particularly due to the fact that the KLEENHEAT™ system produces hydrogen through the use of water electrolysis whereas other hydrogen energy providers require the storage of liquid hydrogen and utilize fuel cells. Accordingly, the Issuer is not aware of any competitor that uses its hydrogen heating methods which require no storage and generate hydrogen on demand. All of the foregoing information is estimated and based on the Issuer's knowledge, information, and belief unless otherwise stated.

See also "*Positioning and Competitive Differentiators*" above.

4.5 The Issuer does not carry on any lending operations.

4.6 There have been no results of any bankruptcy, or any receivership or similar proceedings against the Issuer, Kleen or Subco, or any voluntary bankruptcy, receivership or similar proceedings by the Issuer, Kleen or Subco.

4.7 The Issuer has not been engaged in any material restructuring transaction since its incorporation, other than as described above with respect to the Transaction.

4.8 The Issuer has not implemented any social or environmental policies.

4.9 The Issuer has no asset backed securities outstanding.

4.10 The Issuer has no mineral projects.

4.11 The Issuer has no oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 The following table is a summary of selected financial information of Kleen for the fiscal years ended December 31, 2022, 2023 and 2024, and for the three month period ended March 31, 2025, derived from the audited annual financial statements of Kleen for the fiscal years ended December 31, 2022, 2023 and 2024 and the unaudited interim financial statements of Kleen for the three month period ended March 31, 2025 (the "**Kleen Financial Statements**"), all included as Schedule "A" to the Listing Statement.

	Fiscal Year Ended Dec 31, 2022	**Fiscal Year Ended Dec 31, 2023**	**Fiscal Year Ended Dec 31, 2024**	**Three Months Ended March 31, 2025**
Revenue	Nil	20,588	Nil	Nil
Net Income (Loss)	(361,556)	(424,246)	(402,177)	(249,595)
Basic and diluted earnings from continuous operations (loss) per share	0.00	0.00	0.00	0.00
Total Assets	1,617,446	1,871,544	5,650,831	5,273,315
Total Liabilities	63,971	46,155	216,033	68,112

The following table is a summary of selected financial information of 0755 for the fiscal years ended April 30, 2023 and 2024 and the nine month period ended January 31, 2025, derived from the audited annual financial statements of 0755 for the fiscal years ended April 30, 2023 and 2024 and the unaudited interim financial statements of 0755 for the nine months ended January 31, 2025 (the "**0755 Financial Statements**") included as Schedule "A" to the Listing Statement.

	Fiscal Year Ended April 30, 2023	**Fiscal Year Ended April 30, 2024**	**Nine Months Ended January 31, 2025**
Revenue	Nil	Nil	Nil
Net Income (Loss)	(264,516)	(20,211)	(23,648)
Basic and diluted earnings from continuous operations (loss) per share	0.01	0.00	0.00
Total Assets	378	5,378	15,000
Total Liabilities	340,643	365,854	399,124

The Kleen Financial Statements and the 0755 Financial Statements were prepared in accordance with International Financial Reporting Standards.

5.2 Dividends

The Issuer has not declared any dividends since its incorporation. While there are no restrictions precluding the Issuer from paying dividends, it does not have a source of cash flow and anticipates using all available cash resources towards its stated business objectives as set forth above. The Board will determine if and when dividends should be declared and paid in the future based on the Issuer's financial position, financial requirements and other conditions existing at the relevant time.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Please refer to Schedule "B" for the management's discussion and analysis of Kleen with respect to the fiscal years ended December 31, 2022, 2023 and 2024, and the three month period ended March 31, 2025.

7. MARKET FOR SECURITIES

Currently, there is no market for the Resulting Issuer Class A Shares or Resulting Issuer Non-Voting Class B Shares. Listing of the Resulting Issuer Non-Voting Class B Shares is subject to the Issuer meeting the initial listing requirements of the CSE and meeting all conditions of listing imposed by the CSE, including filing a standalone listing statement. There can, however, be no assurance as to if, or when, the Resulting Issuer Non-Voting Class B Shares will be listed for trading on the CSE.

8. CONSOLIDATED CAPITALIZATION

8.1 The following table sets out the pro forma share and loan capital of the Issuer after giving effect to the Transaction, based on completion of the Private Placement which raised aggregate gross proceeds of Cdn$4,000,000. The table should be read in conjunction with the financial statements referenced elsewhere in this Listing Statement.

Capital	Authorized	Amount Outstanding as of January 31, 2025	Amount Outstanding as of the closing of the Transaction
Common Shares	Unlimited	148,493,766	N/A(1)
Resulting Issuer Class A Shares	Unlimited	N/A	10,000,000(2)
Resulting Issuer Non-Voting Class B Shares	Unlimited	N/A	89,042,220(3)

Resulting Issuer Warrants	4,000,000	N/A	4,000,000(4)
Resulting Issuer Options	Up to 20% of the issued and outstanding Resulting Issuer Class A Shares and Resulting Issuer Non-Voting Class B Shares	N/A	15,000,000(5)

(1) As of the Effective Date, the Issuer effected the Consolidation and Article Amendment pursuant to which every 994.8203431 pre-Consolidation Common Shares were exchanged for one Resulting Issuer Non-Voting Class B Share.

(2) Represents an aggregate of 10,000,000 Resulting Issuer Class A Shares issuable to former Kleen Shareholders pursuant to the Transaction.

(3) Represents an aggregate of 85,042,220 Resulting Issuer Non-Voting Class B Shares issuable to former Kleen Shareholders and an aggregate of 4,000,000 Resulting Issuer Non-Voting Class B Shares issuable to former holders of Common Shares, all pursuant to the Transaction.

(4) Represents an aggregate of 4,000,000 Resulting Issuer Warrants issuable to former holders of Kleen Warrants pursuant to the Transaction.

(5) Represents an aggregate of 15,000,000 Resulting Issuer Options issuable to former holders of Kleen Options pursuant to the Transaction.

9. OPTIONS TO PURCHASE SECURITIES

9.1 The Board, with the approval of the Issuer's shareholders, has adopted the Option Plan that will be implemented upon acceptance by the CSE in conjunction with the proposed listing of the Resulting Issuer Non-Voting Class B Shares on the CSE. The Option Plan is a rolling stock option plan that sets the number of shares issuable under the Option Plan at a maximum of 20% of the Resulting Issuer Class A Shares and Resulting Issuer Non-Voting Class B Shares issued and outstanding at the time of any grant under the Option Plan. As of the closing of the Transaction, the Issuer has granted an aggregate of 15,000,000 Resulting Issuer Options to acquire Resulting Issuer Non-Voting Class B Shares under the Option Plan, which were issued in consideration of the cancelation of 15,000,000 Kleen Options pursuant to the Transaction. The Board does not intend to grant any further Resulting Issuer Options until such time following listing of the Resulting Issuer Non-Voting Class B Shares on the CSE that the trading price of the Resulting Issuer Non-Voting Class B Shares on the CSE has stabilized, such that a fair market value exercise price for options can be determined.

<u>Summary of the Option Plan</u>

The Option Plan provides for the issuance thereunder of a maximum of 20% of the Resulting Issuer Class A Shares and Resulting Issuer Non-Voting Class B Shares issued and outstanding from time to time. The Option Plan will be administered by the Board and provide for grants of non-transferable Resulting Issuer Options under the Option Plan at the discretion of the Board, to directors, officers, employees, management company employees, consultants and other specified service providers of the Issuer (each an "**Eligible Person**"). The exercise price of Resulting Issuer Options granted under the Option Plan will be determined by the Board. Following listing of the Resulting Issuer Non-Voting Class B Shares on the CSE, the exercise price for Resulting Issuer Options exercisable for Resulting Issuer Non-Voting Class B Shares must not be lower than the greater of the last closing market price for the Resulting Issuer Non-Voting Class B Shares as quoted on the CSE on (a) the market trading day immediately prior to the date of grant of the Resulting Issuer Option, and (b) the date of grant of the Resulting Issuer Option (subject to a minimum price of Cdn$0.05). The term of any Resulting Issuer Options granted under the Option Plan will be fixed by the Board and may not exceed ten years.

If an Eligible Person who is a service provider shall cease to be an Eligible Person for any reason (whether or not for cause) the optionee may, but only within the period of ninety days (unless such period is extended by the Board, to a maximum of one year next succeeding such cessation, and approval is obtained from the stock exchange on which the Resulting Issuer Non-Voting Class B Shares trade where required), or thirty days if the Eligible Person is an "investor relations person" (unless such period is extended by the Board to a maximum of one year next succeeding such cessation, and approval is obtained from the stock exchange on which the Resulting Issuer Non-Voting Class B Shares trade where required), next succeeding such cessation and in no event after the expiry date of the optionee’s Resulting Issuer Option, exercise the optionee’s Resulting Issuer Option. If such cessation as an Eligible Person is on account of death, the Resulting Issuer Option granted to the optionee shall be exercisable within, but only within, the period of one year next succeeding the optionee’s death.

The Option Plan also provides for adjustments to outstanding Resulting Issuer Options in the event of reorganization, recapitalization, plan of arrangement, stock split, stock dividend, combination of shares, merger, consolidation, rights offering or any other change in the corporate structure or shares of the Issuer. Moreover, upon an "acceleration event" (as defined in the Option Plan), the Board may permit the optionee to exercise the Resulting Issuer Option granted under the Option Plan regardless of any vesting restrictions during a specified period (but in no event later than the expiry date of the Resulting Issuer Option); and (ii) the Board may require the acceleration of the time for the exercise of the Resulting Issuer Option and of the time for the fulfilment of any conditions or restrictions on such exercise.

The directors of the Issuer may, at their discretion at the time of any grant, impose a schedule over which period of time Resulting Issuer Options will vest and become exercisable by the optionee. Subject to any required approval of the CSE, the Board may terminate or amend the terms of the Option Plan, subject to requisite shareholder approval where required.

10. DESCRIPTION OF THE SECURITIES

10.1 Authorized Capital

The Issuer's authorized share capital consists of an unlimited number of Resulting Issuer Class A Shares and an unlimited number of Resulting Issuer Non-Voting Class B Shares, of which 10,000,000 Resulting Issuer Class A Shares and 89,042,220 Resulting Issuer Non-Voting Class

B Shares are issued and outstanding as fully paid and non-assessable as of the date of closing of the Transaction.

Resulting Issuer Class A Shares

Resulting Issuer Class A Shares are not subject to any future call or assessment and do not have any pre-emptive, conversion or redemption rights, and all have equal voting rights of one vote per Resulting Issuer Class A Share. There are no other special rights or restrictions of any nature attached to any of the Resulting Issuer Class A Shares, all of which rank equally as to all benefits which might accrue to the holders of the Resulting Issuer Class A Shares. All holders of Resulting Issuer Class A Shares are entitled to receive a notice of any general meeting of shareholders to be convened by the Issuer. At any general meeting of the Issuer, every holder of Class A Voting Shares has one vote for each Resulting Issuer Class A Share of which he or she is the registered owner. Voting rights may be exercised in person or by proxy. The holders of Resulting Issuer Class A Shares are entitled to share pro rata in any dividends if, as and when declared by the Board, on the Resulting Issuer Class A Shares.

Resulting Issuer Non-Voting Class B Shares

Resulting Issuer Non-Voting Class B Shares are not subject to any future call or assessment and do not have any pre-emptive, conversion or redemption rights, and have no voting rights. There are no other special rights or restrictions of any nature attached to any of the Resulting Issuer Non-Voting Class B Shares, all of which rank equally as to all benefits which might accrue to the holders of the Resulting Issuer Non-Voting Class B Shares. **Holders of Resulting Issuer Non-Voting Class B Shares shall be entitled to receive a notice of any general meeting of shareholders to be convened by the Issuer and to speak thereat, but shall have no voting rights thereat**. The holders of Resulting Issuer Non-Voting Class B Shares are entitled to share pro rata in any dividends if, as and when declared by the Board, on the Resulting Issuer Non-Voting Class B Shares.

10.2 There are no provisions for the modification, amendment or variation of the Resulting Issuer Class A Shares or Resulting Issuer Non-Voting Class B Shares, or modification of the rights of the holders of the Resulting Issuer Class A Shares or Resulting Issuer Non-Voting Class B Shares, other than in accordance with applicable corporate law.

10.3 The Resulting Issuer Class A Shares and Resulting Issuer Non-Voting Class B Shares do not have any redemption or repurchase rights, and the rights attaching to the Resulting Issuer Class A Shares and Resulting Issuer Non-Voting Class B Shares are not materially limited or qualified by any other class of shares of the Issuer.

10.4 The Issuer has no debt securities.

10.5 The securities of the Issuer other than as set out above are as follows:

Stock Options

As of the closing of the Transaction, the Issuer has an aggregate of 15,000,000 Resulting Issuer Options outstanding which were issued in exchange for former Kleen Options cancelled pursuant to the Transaction, each of which is exercisable to acquire one Resulting Issuer Non-Voting Class B Share at an exercise price of C$0.05 until December 31, 2026.

The Issuer has adopted the Option Plan (see "Summary of the Option Plan" above). The Board does not intend to grant any further incentive Resulting Issuer Options until such time following listing of the Resulting Issuer Non-Voting Class B Shares on the CSE that the trading price of the Resulting Issuer Non-Voting Class B Shares has stabilized such that a fair market value exercise price for Resulting Issuer Options can be determined.

Share Purchase Warrants

As of the closing of the Transaction, the Issuer has an aggregate of 4,000,000 Resulting Issuer Warrants outstanding which were issued in exchange for former Kleen Warrants cancelled pursuant to the Transaction, each of which is exercisable to acquire one Resulting Issuer Non-Voting Class B Share at an exercise price of C$1.00 until December 3, 2029.

10.6 Prior Sales

Set forth below is a summary of securities issued by the Issuer during the 12 months prior to the closing of the Transaction.

Date	Description	Price per Share
March 11, 2025	11,227,545 pre-Consolidation Common Shares issued pursuant to a private placement for aggregate proceeds of $7,500	$0.000668 per pre-Consolidation Common Share(1)
Prior to Effective Date	130,000 post-Consolidation Shares upon exchange of outstanding SubCo Shares issued in satisfaction of outstanding indebtedness	$0.664540 per post-Consolidation Share (deemed)
Prior to Effective Date	900,000 post-Consolidation Shares upon exchange of outstanding SubCo Shares issued in satisfaction of finder fees	$0.664540 per post-Consolidation Share (deemed)
Prior to Effective Date	2,809,447 post-Consolidation Shares upon exchange of outstanding SubCo Shares issued in satisfaction of outstanding convertible debentures	$0.01990795 per post-Consolidation Share (deemed)(4)
Effective Date	10,000,000 Resulting Issuer Class A Shares(2)	N/A
	89,042,220 Resulting Issuer Non-Voting Class B Shares(3)	N/A
	4,000,000 Resulting Issuer Warrants(5)	N/A

	15,000,000 Resulting Issuer Options(6)	N/A

Notes:

(1) The private placement closed pre-Consolidation on March 11, 2025.

(2) Issued to former holders of Kleen Class A Shares pursuant to the Transaction.

(3) Comprised of 85,042,220 Resulting Issuer Non-Voting Class B Shares issued to former holders of Kleen Class B Shares, and 4,000,000 Resulting Issuer Non-Voting Class B Shares issued to former holders of Common Shares, all pursuant to the Transaction.

(4) This conversion price was agreed upon between the holders of such convertible debentures and the Issuer.

(5) Issued to former holders of Kleen Warrants pursuant to the Transaction.

(6) Issued to former holders of Kleen Options pursuant to the Transaction.

Of the aggregate 10,000,000 Resulting Issuer Class A Shares and 89,042,220 Resulting Issuer Non-Voting Class B Shares issued and outstanding as fully paid and non-assessable as of the Effective Date, an aggregate of 10,000,000 Resulting Issuer Class A Shares and 85,042,220 Resulting Issuer Non-Voting Class B Shares are held by former Kleen Shareholders (including an aggregate of 4,000,000 Resulting Issuer Non-Voting Class B Shares which are held by subscribers in the Private Placement) and 4,000,000 Resulting Issuer Non-Voting Class B Shares are held by former holders of Common Shares.

10.7 <u>Listing of Resulting Issuer Non-Voting Class B Shares</u>

An application has been made for the listing of the Resulting Issuer Non-Voting Class B Shares on the CSE. Listing will be subject to the Issuer fulfilling all the initial listing requirements of the CSE. There can be no assurances as to if, or when, the Resulting Issuer Non-Voting Class B Shares will be listed or traded on the CSE, or any other stock exchange. As at the date of the Listing Statement, there is no market through which the Resulting Issuer Non-Voting Class B Shares may be sold and shareholders may not be able to resell the Resulting Issuer Non-Voting Class B Shares distributed to them pursuant to the Transaction. This may affect the pricing of the Resulting Issuer Non-Voting Class B Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Resulting Issuer Non-Voting Class B Shares, and the extent of issuer regulation. As at the date of the Listing Statement, the Issuer does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the TSX, a U.S. marketplace, or a marketplace outside Canada and the United States of America.

11. ESCROWED SECURITIES

11.1 The Issuer does not have any of its securities subject to escrow or contractual restrictions on transfer other than certain principals of the Issuer which are subject to escrow pursuant to NP 46-201 as set forth below. The CSE imposes NP 46-201 escrow requirements on completion of transactions such as the Transaction.

In accordance with NP 46-201, all securities of an issuer that are owned or controlled by its principals (or spouses of its principals) will be escrowed at the time of the issuer's initial public offering, or in this case the completion of the Transaction, unless the securities held by the principals, or issuable to the principals upon conversion of convertible securities held by the principals, collectively represent less than 1% of the total issued and outstanding shares of the issuer after giving effect to the offering or transaction.

Uniform terms of automatic timed-release escrow apply to principals of exchange-listed issuers, differing only according to the classification of the issuer. As it is expected that the Issuer will be classified as an "emerging issuer" for the purposes of NP 46-201, it is anticipated that the following automatic timed releases will apply to the securities held by its principals:

Date	% of Escrowed Securities Released
On the Listing Date	1/10 of the escrowed securities
On the date which is 6 month following the Listing Date	1/6 of the remaining escrowed securities
On the date which is 12 month following the Listing Date	1/5 of the remaining escrowed securities
On the date which is 18 month following the Listing Date	1/4 of the remaining escrowed securities
On the date which is 24 month following the Listing Date	1/3 of the remaining escrowed securities
On the date which is 30 month following the Listing Date	1/2 of the remaining escrowed securities
On the date which is 36 month following the Listing Date	The remaining escrowed securities

To the knowledge of the Issuer, a total of 27,200,000 Resulting Issuer Non-Voting Class B Shares will be deposited into escrow pursuant to the terms of an escrow agreement to be entered into by the Issuer, the escrow shareholders and the Issuer's transfer agent, as the escrow agent (the "**Escrow Agreement**"), as follows:

Name and Position of Escrow Holder	Number of Escrowed Securities	Percentage of Class(1)
Thomas Fairfull	10,000,000 Resulting Issuer Class A Shares, 19,000,000 Resulting Issuer Non-Voting Class B Shares(2), 5,000,000 Resulting Issuer Options and 4,000,000 Resulting Issuer Warrants	100% of Resulting Issuer Class A Shares, 15.7% of Resulting Issuer Non-Voting Class B Shares
Ken Hanna	1,000,000 Resulting Issuer Non-Voting Class B Shares	1.1% of Resulting Issuer Non-Voting Class B Shares

Jakson Inwentash	200,000 Resulting Issuer Non-Voting Class B Shares	0.2% of Resulting Issuer Non-Voting Class B Shares
Colin Carrie	2,000,000 Resulting Issuer Non-Voting Class B Shares and 2,000,000 Resulting Issuer Options	2.2% of Resulting Issuer Non-Voting Class B Shares
John Yurkovich	5,000,000 Resulting Issuer Non-Voting Class B Shares and 2,000,000 Resulting Issuer Options	5.6% of Resulting Issuer Non-Voting Class B Shares

(1) Figures calculated based upon 10,000,000 Resulting Issuer Class A Shares and 89,042,220 Resulting Issuer Non-Voting Class B Shares issued and outstanding as of the Effective Date.
(2) Inclusive of 5,000,000 Resulting Issuer Non-Voting Class B Shares held by the spouse of Thomas Fairfull.

Pursuant to the terms of the Escrow Agreement, the Resulting Issuer Non-Voting Class B Shares held in escrow may be transferred within escrow to an individual who is a director or senior officer of the Issuer or of a material operating subsidiary of the Issuer, subject to the approval of the Board, or to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Issuer's outstanding securities, or to a person or company that after the proposed transfer will hold more than 10% of the voting rights attached to the Issuer's outstanding securities and that has the right to elect or appoint one or more directors or senior officers of the Issuer or of any of its material operating subsidiaries.

Pursuant to the terms of the Escrow Agreement, upon the bankruptcy of a holder of escrowed securities, the securities held in escrow may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such securities. Upon the death of a holder of escrowed securities, all securities of the deceased holder will be released from escrow to the deceased holder's legal representative. The Escrow Agreement also provides that escrowed securities can be transferred within escrow to a financial institution on the realization of escrowed securities pledged, mortgaged or charged by the holder of such escrowed securities to the financial institution as collateral for a loan. Pursuant to the terms of the Escrow Agreement, escrowed securities may also be transferred within escrow to or between registered retirement savings plans, registered retirement income funds or other similar registered plans or funds with a trustee, where the annuitant of such plans or funds, or the beneficiaries of the other registered plan or funds are limited to the holder and his or her spouse, children and parents, or in the case of a trustee of such a registered plan or fund, to the annuitant of the registered plan or fund, or a beneficiary of the registered plan or fund, as applicable, or his or her spouse, children and parents.

Pursuant to the terms of the Escrow Agreement, 10% of each principal’s escrowed securities (a total of 2,720,000 Resulting Issuer Non-Voting Class B Shares) will be released from escrow on the date the Resulting Issuer Non-Voting Class B Shares are listed on the CSE (the "Listing Date"). The remaining 24,480,000 Resulting Issuer Non-Voting Class B Shares which will be held in escrow immediately following the Listing Date will represent 27.5% of the Resulting Issuer Non-Voting Class B Shares anticipated to be issued and outstanding at the Listing Date.

12. PRINCIPAL SHAREHOLDERS

12.1 As of the closing of the Transaction and to the knowledge of the Issuer's directors and officers, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the issued and outstanding Resulting Issuer Class A Shares or Resulting Issuer Non-Voting Class B Shares, other than Mr. Thomas Fairfull who owns 10,000,000 Resulting Issuer Class A Shares and 14,000,000 Resulting Issuer Non-Voting Class B Shares representing 100% of the outstanding Resulting Issuer Class A Shares and 15.7% of the outstanding Resulting Issuer Non-Voting Class B Shares as of the date hereof.

13. DIRECTORS AND OFFICERS

13.1 As at the closing of the Transaction, the names of the directors and officers of the Issuer, as well as their respective places of residence, positions and offices and principal occupations, are as follows:

Name, place of residence and proposed position with the Issuer	Principal Occupation[(2)]	Number/Type and Percentage of Shares of Issuer Owned as of Effective Date[(2)(3)]	Date of appointment as a director or officer
Thomas Fairfull Ontario, Canada President, Chief Executive Officer, and Director	President and Chief Executive Officer of Kleen	10,000,000 (100%) Resulting Issuer Class A Shares and 14,000,000 (15.7%) Resulting Issuer Non-Voting Class B Shares	Effective Date
Alan Myers Ontario, Canada Chief Financial Officer of Kleen	Chief Financial Officer of Kleen	N/A	Effective Date
Ken Hanna[(1)]	Director	1,000,000 (1.1%) Resulting Issuer Non-Voting Class B Shares	Effective Date
Colin Carrie	Director	2,000,000 (2.2%) Resulting Issuer Non-Voting Class B Shares	Effective Date

John Yurkovich[(1)]	Director	5,000,000 (5.6%) Resulting Issuer Non-Voting Class B Shares	Effective Date
Jakson Inwentash[(1)]	Director	200,000 (0.2%) Resulting Issuer Non-Voting Class B Shares	Effective Date

(1) Member of the Audit Committee.
(2) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of management of the Issuer and has been furnished by the respective individuals.
(3) Figures calculated based upon 10,000,000 Resulting Issuer Class A Shares and 89,042,220 Resulting Issuer Non-Voting Class B Shares issued and outstanding as of the Effective Date.

The current and proposed directors of the Issuer will be elected annually at each annual general meeting of the Issuer's shareholders and will hold office until the next annual general meeting unless a director's office is earlier vacated in accordance with the constating documents of the Issuer or he or she becomes disqualified to serve as a director.

13.2 As at the closing of the Transaction, the directors and executive officers of the Issuer beneficially own, directly or indirectly, or control or direct the number of Resulting Issuer Class A Shares and Resulting Issuer Non-Voting Class B Shares set forth in Section 13.1 above. As of the Effective Date, an aggregate of 10,000,000 Resulting Issuer Class A Shares and 22,200,000 Resulting Issuer Non-Voting Class B Shares, representing approximately 100% of the Resulting Issuer Class A Shares and 24.9% of the Resulting Issuer Non-Voting Class B Shares issued and outstanding on a non-diluted basis, are beneficially owned, directly or indirectly, or control or direction is exercised over such shares, by the directors and executive officers of the Issuer as a group.

13.3 Board Committees

The Board has no standing committees other than the Audit Committee and the Compensation Committee. The Board may from time to time establish additional committees.

Audit Committee

Pursuant to NI 52-110, the Issuer is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Issuer or an affiliate of the Issuer.

The primary function of the Audit Committee is to assist the Board in fulfilling its financial oversight responsibilities by: (a) reviewing the financial reports and other financial information provided by the Issuer to regulatory authorities and shareholders; (b) reviewing the systems for internal corporate controls which have been established by the Board and management; and (c) overseeing the Issuer's financial reporting processes generally. In meeting these responsibilities, the Audit Committee monitors the financial reporting process and internal control system; reviews and appraises the work of external auditors and provides an avenue of communication between the external auditors, senior management and the Board. The Audit Committee is also mandated to review and approve all material related party transactions.

As of the date hereof, the Issuer has established an Audit Committee consisting of Ken Hanna, Jakson Inwentash and John Yurkovich, each of whom is a director and financially literate in accordance with NI 52-110. Each member of the Audit Committee is independent of the Issuer, as defined under NI 52-110. For further biographical details of the members of the Audit Committee, please see Section 13.8 – Management. A copy of the Audit Committee charter is attached to this Listing Statement as Schedule "C".

Compensation Committee

As of the date hereof, the Issuer has established a Compensation Committee comprised of Ken Hanna, Jakson Inwentash and John Yurkovich. The primary function of the Compensation Committee is to assess and make recommendations with respect to executive compensation matters and equity awards.

13.4 Information on directors' and executive officers' principal occupation is set out in section 13.1 above.

Other than as set forth below, no proposed director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date hereof has been, a director or officer of any other issuer that, while that person was acting in that capacity: (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under securities law, for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Jakson Inwentash serves as a director of Nirvana Life Sciences Inc. ("Nirvana") which is a western Canadian-based life sciences company listed on the Canadian Securities Exchange. Nirvana was the subject of a cease trade order from September 5, 2024 to December 20, 2024 issued by the British Columbia Securities Commission for the failure to file financial statements.

The foregoing has been furnished by the respective directors, executive officers and shareholders holding a sufficient number of securities of the Issuer to affect materially control of the Issuer.

13.5 No proposed director or executive officer of the Issuer, or a shareholder holding a sufficient number of the Issuer's securities to affect materially the control of the Issuer, has been subject to: (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision. The foregoing has been furnished by the respective directors, executive officers and shareholders holding a sufficient number of securities of the Issuer to affect materially control of the Issuer.

13.6 No director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the issuer, or a personal holding company of any such persons has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

13.7 Certain directors and officers of the Issuer are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and/or commercializing green energy products. Such associations to other companies may give rise to conflicts of interest from time to time. As a result, opportunities provided to a director of the Issuer may not be made available to the Issuer, but rather may be offered to a company with competing interests. The directors and senior officers of the Issuer are required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose any personal interest which they may have in any project or opportunity of the Issuer, and to abstain from voting on such matters. The directors and officers of the Issuer are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interests and the Issuer will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers.

13.8 Management

The following sets out details of the directors and officers of the Issuer upon completion of the Transaction:

Thomas Fairfull – Director, President and Chief Executive Officer, Age 76. Mr. Fairfull is an accomplished entrepreneur with an expertise in guiding companies through the process of developing, testing and commercializing products and consulting with companies bringing products to market. Mr. Fairfull previously served as the Chief Executive Officer of the FSD Pharma Inc. (CSE:HUGE), a publicly-listed licensed producer of medical cannabis in Canada. Prior to his role with FSD Pharma Inc., Mr. Fairfull founded Dynacert Inc. (TSXV: DYA), which specialized in on-board clean hydrogen generation technology for use by the trucking industry. He has over ten years of experience in the green energy industry, and was name one of Ontario Business Report's Top 100 Entrepreneurs and a finalist in the 2004 Ernst and Young Entrepreneur of the Year Award. He is the co-inventor of a portable on-demand hydrogen generator in addition to the KLEENHEAT™ system, as well as the inventor of an innovative microwave tire recycling technology. Mr. Fairfull expects to dedicate approximately 50% of his time to the Issuer. It is not currently anticipated that Mr. Fairfull will enter into a confidentiality or non-competition agreement with the Issuer.

Alan Myers – Chief Financial Officer, Age 71. Mr. Myers has over 25 years of experience in management and consulting. Mr. Myers is a UK Chartered Accountant with over 30 years of professional and business experience. He operates his own successful consulting practice providing clients with financial services including assistance with raising venture capital, tax consulting, financial systems implementation, and accounting. Mr. Myers also has business experience serving as director of several public company boards. Mr. Myers expects to dedicate approximately 20% of his time to the Issuer. It is not currently anticipated that Mr. Myers will enter into a confidentiality or non-competition agreement with the Issuer.

Ken Hanna – Director, Age 57. Mr. Hanna has nearly 25 years' experience in matters of intellectual property law and litigation, having served as the Senior Litigation Partner at Ridout & Maybee LLP (the "Firm") for nearly half of his career. In connection with this role, he has acted as lead counsel in various intellectual property cases in both the Federal and Ontario courts on a variety of intellectual property matters, as well as assisted clients in navigating regulatory frameworks. Mr. Hanna was also a member of his Firm's Executive for over 6 years, tasked with the preparation and fulfillment of R&M's strategic plan and day-to-day operations. Mr. Hanna has B.A.'s from the University of Lethbridge and the University of Calgary, as well as an LLB from the University of Windsor. Mr. Hanna expects to dedicate approximately 10% of his time to the Issuer. It is not currently anticipated that Mr. Hanna will enter into a confidentiality or non-competition agreement with the Issuer.

Colin Carrie – Director, Age 62. Dr. Carrie was elected to represent Oshawa in Parliament in 2004. During his tenure, he served as Parliamentary Secretary in the portfolios of Industry, Health and Environment, contributing significantly to projects such as the creation of Rouge National Urban Park—the first national park within a Canadian municipality. Dr. Carrie founded the Conservative Automotive Caucus and has been a staunch advocate for industrial, trade, and regulatory progress. He also addressed critical social issues, introducing Bill C-461 and co-sponsoring Bill S-224 to combat human trafficking and align Canada's laws with international standards. In addition, Dr. Carrie served on the House of Commons Standing Committees for the Scrutiny of Regulations and the Library of Parliament. Dr. Carrie holds a B.Sc. (Hons) from the University of Waterloo, and is a graduate of the Canadian Memorial Chiropractic College with a Doctor of Chiropractic designation. Dr. Carrie expects to dedicate approximately 10% of his time to the Issuer. It is not currently anticipated that Dr. Carrie will enter into a confidentiality or non-competition agreement with the Issuer.

John Yurkovich – Director, Age 59. Mr. Yurkovich is the President and founding Owner/Operator of Electro-Works Ltd., established in 1998 and TC Securities, which are reputable electrical and security services companies based in Oshawa, Ontario. In his role as President of each of these companies, Mr. Yurkovich is responsible for all aspects of accounting, bookkeeping and financial reporting. He is also a member of the Board of Trade, contributing to the local business community. Mr. Yurkovich expects to dedicate approximately 10% of his time to the Issuer. It is not currently anticipated that Mr. Yurkovich will enter into a confidentiality or non-competition agreement with the Issuer.

Jakson Inwentash – Director, Age 30. Mr. Inwentash is a director and VP Investments at ThreeD Capital Inc., a CSE-listed issuer, where he focuses on identifying, researching, and meeting with early stage companies in various disruptive industries. He is also a registered Dealer Representative and has a successful track record of raising capital in industries such as mining, fintech, AI, biotechnology and blockchain. Mr. Inwentash has significant capital markets experience, and is an advisor to and a board member of several private and publicly listed companies. Mr. Inwentash holds a BBA from the University of Miami and has completed his Certified Financial Analyst ("CFA") designation. Mr. Inwentash expects to dedicate approximately 10% of his time to the Issuer. It is not currently anticipated that Mr. Inwentash will enter into a confidentiality or non-competition agreement with the Issuer.

14. CAPITALIZATION

14.1

Issued Capital

Set forth below is the anticipated capitalization with respect to the Resulting Issuer Non-Voting Class B Shares of the Issuer as of the Effective Date(1).

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non- diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	89,042,220	104,002,220	100%	100%
Number of issued securities that are pooled, escrowed or non-transferable, and the number of issued securities of the class beneficially owned, or over which control or direction is exercised by: (a) the Listed Issuer; (b) every senior officer or director of the Listed Issuer; and (c) every Principal Security Holder of the Listed Issuer (B)	27,200,000	34,200,000	30.5%	32.9%
Total Public Float (A-B)	61,842,220	69,802,220	69.5%	67.1%
Freely-Tradeable Float				
Number of issued securities subject to restrictions on resale or transfer, including restrictions imposed by pooling or other arrangements or in a shareholder agreement (C)	0	0	0	0
Total Tradeable Float (A- C)	89,042,220	104,002,220	100%	100%

(1) Based upon the knowledge of the Issuer as of the date of this Listing Statement.

Public Securityholders (Registered)

Set forth below is a summary of the anticipated registered and beneficial shareholders of the Issuer comprising the Public Float as of the Effective Date.

Size of Holding	Number of holders	Total number of securities
1 — 99 securities	121	951
100 — 499 securities	158	29,169
500 — 999 securities	2	1,050
1,000 — 1,999 securities	2	2,000
2,000 — 2,999 securities	5	10,000
3,000— 3,999 securities	0	0
4,000 — 4,999 securities	2	8,000
5,000 or more securities	148	66,723,619
Total	**438**	**66,774,789**

Public Securityholders (Beneficial)

Size of Holding	Number of holders	Total number of securities
1 — 99 securities	95	67,431
100 — 499 securities	0	0
500 — 999 securities	0	0
1,000 — 1,999 securities	0	0
2,000 — 2,999 securities	0	0
3,000— 3,999 securities	0	0
4,000 — 4,999 securities	0	0
5,000 or more securities	0	0
Unable to confirm	0	0
Total	**95**	**67,431**

Non-Public Securityholders (Registered)

Set forth below is a summary of the anticipated registered shareholdings of the Issuer held by Related Persons as of the Effective Date.

Size of Holding	Number of holders	Total number of securities
1 — 99 securities	N/A	Nil
100 — 499 securities	N/A	Nil
500 — 999 securities	N/A	Nil
1,000 — 1,999 securities	N/A	Nil
2,000 — 2,999 securities	N/A	Nil

3,000— 3,999 securities	N/A	Nil
4,000 — 4,999 securities	N/A	Nil
5,000 or more securities	5	22,200,000 Resulting Issuer Non-Voting Class B Shares and 10,000,000 Resulting Issuer Class A Shares
Total	N/A	Nil

14.2 Set forth below are the details of securities of the Issuer which are convertible or exchangeable into any class of listed securities as of the closing of the Transaction.

Description of Security (include conversion/exercise terms, including conversion / exercise price)	Number of convertible/exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Resulting Issuer Options to acquire up to 20% of the aggregate number of Resulting Issuer Class A Shares and Resulting Issuer Non-Voting Class B Shares issued and outstanding from time to time, upon terms to be determined	15,000,000 Resulting Issuer Options	Up to 15,000,000 Resulting Issuer Non-Voting Class B Shares
Resulting Issuer Warrants	4,000,000 Resulting Issuer Warrants	Up to 4,000,000 Resulting Issuer Non-Voting Class B Shares

14.3 No listed securities are reserved for issuance that are not included in section 14.2.

15. EXECUTIVE COMPENSATION

15.1 Compensation of Executive Officers

Upon completion of the Arrangement, it is anticipated that (i) Mr. Thomas Fairfull, the Chief Executive Officer of the Issuer, will receive an annual salary of $300,000; (ii) Mr. Alan Myers, the Chief Financial Officer of the Issuer, will receive an annual salary of $150,000; and (ii) Mr. Alex Fairfull, Computer Information Systems Officer of the Issuer, will receive an annual salary of $125,000. In addition, it is anticipated that the Board will grant Resulting Issuer Options to service providers of the Issuer in such amounts and upon such terms as it may determine from time to time. The Board will also consider and determine the compensation of any other executive officers of the Issuer retained from time to time. It is anticipated that the Board will authorize cash compensation and Resulting Issuer Option grants to its service providers in line with market practice for public issuers in the same industry and market and of the same size as the Issuer.

Long-Term Incentive Plan

The Issuer does not have any long-term incentive plans other than the Option Plan.

Option-based Awards

As of the Effective Date, the Issuer does have any Resulting Issuer Options outstanding other than an aggregate of 15,000,000 Resulting Issuer Options as set forth under Section 10.5 above.

Pension Plan Benefits

The Issuer does not have defined benefit or defined contribution plans.

Director Compensation

Following completion of the Transaction, it is anticipated that directors of the Issuer will be compensated by such means and in such amounts as compensation awarded to directors of comparable publicly traded Canadian companies for services rendered in their capacity as directors, to be determined by the Board.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

16.1 Aggregate Indebtedness

Not applicable.

16.2 No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Issuer, a proposed nominee for election as a director of the Issuer, or an associate of any such director, executive officer or proposed nominee,

(a) is, or at any time since the beginning of the most recently completed financial year of the Issuer has been, indebted to the Issuer or any of its subsidiaries, or

(b) has had any indebtedness to another entity that is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.

17. RISK FACTORS

An investment in Resulting Issuer Non-Voting Class B Shares, as well as the Issuer's prospects, are highly speculative due to the high-risk nature of its business and the present stage of its development. Shareholders of the Issuer may lose their entire investment. The risks described below are not the only ones facing the Issuer. Additional risks not currently known to the Issuer, or that the Issuer currently deems immaterial, may also impair the Issuer's operations. If any of the following risks actually occur, the Issuer's business, financial condition and operating results could be adversely affected. Shareholders should consult with their professional advisors to assess the Transaction and their investment in the Issuer. These risk factors may not be a definitive list of all risk factors associated with the Transaction, an investment in the Issuer or in connection with the Issuer's business and operations.

Listing of Resulting Issuer Non-Voting Class B Shares

The Resulting Issuer Non-Voting Class B Shares are not currently listed on any stock exchange. Although an application has been made to list the Resulting Issuer Non-Voting Class B Shares on the CSE, there is no assurance when, or if, the Resulting Issuer Non-Voting Class B Shares will be listed on the CSE or on any other stock exchange. Until the Resulting Issuer Non-Voting Class B Shares are listed on a stock exchange, shareholders of the Issuer may not be able to sell their Resulting Issuer Non-Voting Class B Shares. Even if a listing is obtained, ownership of Resulting Issuer Non-Voting Class B Shares will involve a high degree of risk.

Qualification under the Tax Act for a Registered Plan

If the Resulting Issuer Non-Voting Class B Shares are not listed on a designated stock exchange in Canada before the due date for the Issuer's first income tax return or if the Issuer does not otherwise satisfy the conditions in the Tax Act to be a "public corporation", the Resulting Issuer Non-Voting Class B Shares will not be considered to be a qualified investment for a Registered Plan (as defined in the Tax Act) from their date of issue. Where a Registered Plan acquires a Resulting Issuer Non-Voting Class B Shares in circumstances where the Resulting Issuer Non-Voting Class B Share is not a qualified investment under the Tax Act for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

Limited Business History

Kleen has a short history of operations and no history of earnings. The likelihood of success of the Issuer following completion of the Transaction must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Issuer has limited financial resources and there is no assurance that funding over and above the aggregate gross proceeds raised pursuant to the Private Placement, will be available to it when needed. There is also no assurance that the Issuer can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Availability of Hydrogen on Cost-Effective Basis

The Issuer's products require oxygen and hydrogen to operate. While ambient air can typically supply the necessary oxygen, its heating systems rely on hydrogen derived from water or from fuels such as natural gas, propane, methanol and other petroleum products. In the event that hydrogen is not available on a cost-effective basis to either the Issuer and/or its customers, the Issuer's hydrogen-based heating systems may be unable to compete with existing power sources, and its revenues and results of operations would be materially adversely affected. Significant growth in the use of hydrogen-powered devices may require the development of an infrastructure to deliver the hydrogen. There is no guarantee that such an infrastructure will be developed on a timely basis or at all. Even if hydrogen is available for the Issuer's products, if its price is such that electricity or power produced by its systems would cost more than electricity provided through other means, the Issuer may be unable to compete successfully.

Government Regulations

The business of the Issuer will be subject to all applicable government regulation relating to the hydrogen industry in the jurisdictions in which the Issuer operates, relating to matters such as design, storage, transportation and installation of hydrogen-related products. To the extent that there are delays in obtaining any applicable regulatory approvals, the Issuer's development and growth may be constrained. Furthermore, the inability of potential customers to obtain a permit, or the inconvenience often associated with the permit process, could harm demand for hydrogen-related products and, therefore, harm the Issuer's business.

In addition, the Issuer's business will suffer if environmental policies change and no longer encourage the development and growth of clean power technologies. There is no guarantee that these laws and regulations will not change. In addition, if current laws and regulations are not kept in force or if further environmental laws and regulations are not adopted, demand for green energy products may be limited. The market for green energy-related products is influenced by federal, state and provincial governmental regulations and policies concerning the electric utility industry. Changes in regulatory standards or public policy could deter further investment in the research and development of alternative energy sources, including hydrogen-related products, and could result in a significant reduction in the potential market demand for the Issuer's products. The Issuer cannot predict how changing government regulation and policies regarding the electric utility industry will affect the market for its products. Although the development of alternative energy sources has been identified as a significant priority by many governments, the Issuer cannot be assured that governments will not change their priorities or that any such change would not materially affect the Issuer's revenues and business. If governments change their laws and regulations such that the development of alternative energy sources is no longer required or encouraged, the demand for alternative energy sources such as hydrogen-fuelled heating systems may be significantly reduced or delayed and the Issuer's sales would decline.

No Experience Manufacturing on Large-Scale Basis

The Issuer has no experience manufacturing its products on a large scale basis, and if it does not develop adequate manufacturing processes and capabilities to do so in a timely manner, it will be unable to achieve its growth and profitability objectives. Kleen has manufactured most of its products for prototypes and has limited experience manufacturing products on a larger scale. In order to produce certain products at affordable prices, the Issuer will have to manufacture a large volume of such products. The Issuer does not know when or whether it will be able to develop efficient, low-cost manufacturing capabilities and processes that will enable it to meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market such products. Even if the Issuer is successful in developing manufacturing capabilities and processes, it does not know whether it will do so in time to meet its product commercialization schedule or to satisfy the requirements of its customers and the market. Any failure to develop these manufacturing processes and capabilities in a timely manner could prevent the Issuer from achieving its growth and profitability objectives.

Risk Factors Related to Products and Technology

The Issuer may never complete the development of commercially viable hydrogen-based heating systems, and if it fails to do so, it will not be able to meet its business and growth objectives. Kleen has made commercial sales of its products for a relatively short period of time. Because both the Issuer's business and industry are still in the developmental stage, it does not know when or whether it will successfully complete research and development of commercially viable hydrogen-based heading systems. If it does not complete the development of such products, it will be unable to meet its business and growth objectives. The Issuer expects to face unforeseen challenges, expenses and difficulties as a developing company seeking to design, develop and manufacture new products in its targeted markets. The Issuer's future success also depends upon its ability to effectively market its products once developed.

Product Defects

The Issuer's products are complex and must meet the stringent technical requirements of its customers. The software and other components used in its hydrogen-related products may contain undetected defects or errors, especially when first introduced, which could result in the failure of products to perform, damage to the Issuer's reputation, delayed or lost revenue, product returns, diverted development resources and increased development, service and warranty costs.

Rapid Technological Advances

Rapid technological advances or the adoption of new codes and standards could impair the Issuer's ability to deliver its products in a timely manner and, as a result, its revenues would suffer. The Issuer's success depends in large part on its ability to keep our products current and compatible with evolving technologies, codes and standards. Unexpected changes in technology or in codes and standards could disrupt the development of its products and prevent the Issuer from meeting deadlines for the delivery of products. If the Issuer is unable to keep pace with technological advancements and adapt its products to new codes and standards in a timely manner, its products may become uncompetitive or obsolete and oitsur revenues would suffer.

Intellectual Property Risks

The Issuer depends upon intellectual property and its failure to protect that intellectual property could adversely affect its future growth and success. Failure to protect the Issuer's intellectual property rights may reduce its ability to prevent others from using its technology. The Issuer relies on a combination of patent, trade secret, trademark and copyright laws to protect its intellectual property. Some of its intellectual property is currently not covered by any patent or patent application. Patent protection is subject to complex factual and legal criteria that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, the Issuer cannot be assured that:

- any of the patents owned by Kleen or third party patents licensed to Kleen will not be invalidated, circumvented, challenged, rendered unenforceable, or licensed to others; or

- any of the Issuer's future patent applications will be issued with the breadth of protection that it seeks, if at all.

In addition, effective patent, trademark, copyright and trade secret protection may be unavailable, limited, not applied for or unenforceable in foreign countries. Furthermore, although Kleen typically retains sole ownership of the intellectual property it develops, in certain circumstances, the Issuer may provide for shared intellectual property rights. As a result, the Issuer may be limited or precluded, as the case may be, in the exploitation of such intellectual property rights. The Issuer also seeks to protect its proprietary intellectual property through contracts including, when possible, confidentiality agreements and other agreements with customers and employees. The Issuer cannot be sure that the parties that enter into such agreements will not breach them, that the Issuer will have adequate remedies for any breach or that such persons or institutions will not assert rights to intellectual property arising out of these relationships. If necessary or desirable, the Issuer may seek licences under the patents or other intellectual property rights of others. However, the Issuer cannot be sure that it will obtain such licences or that the terms of any offered licences will be acceptable to it. The Issuer's failure to obtain a license from a third party for intellectual property that it uses in the future could cause the Issuer to incur substantial liabilities and to suspend the manufacture and shipment of products or use of processes that exploit such intellectual property.

Flammable Nature of Hydrogen

The Issuer's products use flammable fuels that are inherently dangerous substances and could subject it to product liabilities. The Issuer's financial results could be materially impacted by accidents involving either its products or those of other hydrogen-based product manufacturers, either because the Issuer faces claims for damages or because of the potential negative impact on demand for hydrogen-based products. The Issuer's products use hydrogen, which is typically generated from gaseous and liquid fuels such as propane, natural gas or methanol in a process known as reforming. While the Issuer's products do not use these fuels in a combustion process, natural gas, propane and other hydrocarbons are flammable fuels that could leak and then combust if ignited by another source. In addition, the Issuer may be named in product liability claims even if there is no evidence that its systems or components caused the accidents. Product liability claims could result in significant losses from expenses incurred in defending claims or the award of damages. Since the Issuer's products have not yet gained widespread market acceptance, any accidents involving its systems, those of other hydrogen-related products or those used to produce hydrogen could materially impede acceptance of the Issuer's products. In addition, the Issuer may be held responsible for damages beyond the scope of its insurance coverage (if any).

Additional Financing and Dilution

The Issuer expects to require additional funds to further its proposed activities in commercializing and marketing its products and technology. To obtain such funds, the Issuer may sell additional securities including, but not limited to, Resulting Issuer Non-Voting Class B Shares and/or some form of convertible security, the effect of which would result in a substantial dilution of the equity interests of the Issuer's shareholders. The Issuer has limited financial resources and provides no assurance that it will obtain additional funding for future acquisitions and development of projects or to fulfill its obligations under applicable agreements. The Issuer provides no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further development of its products and services. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of the Issuer's technology and general market conditions for its products and services. The Issuer provides no assurance that it can operate profitably or that it will successfully implement its plans for its further development and operations.

Dual Class Share Structure

The Issuer's dual class structure has the effect of concentrating voting control and the ability to influence corporate matters with those shareholders. Resulting Issuer Class A Shares have one vote per share and Resulting Issuer Non-Voting Class B Shares have no votes per share. As of the Effective Date, shareholders who hold Resulting Issuer Class A Shares hold 100% the voting power of the Issuer's outstanding voting shares and therefore full influence over management and affairs and over all matters requiring shareholder approval. The different voting rights could diminish the value of the Resulting Issuer Non-Voting Class B Shares to the extent that investors or any potential future purchasers of the Resulting Issuer Non-Voting Class B Shares attribute value to the superior voting or other rights of the Resulting Issuer Class A Shares. Holders of the Resulting Issuer Non-Voting Class B Shares will only have a right to vote, as a class, in limited circumstances described elsewhere in this Listing Statement.

The concentrated voting control of holders of Resulting Issuer Class A Shares limits the ability of holders of Resulting Issuer Non-Voting Class B Shares to influence corporate matters and all matters requiring shareholder approval, including the election of directors as well as with respect to decisions regarding amendment of the Issuer's share capital, creating and issuing additional classes of shares, making significant acquisitions, selling significant assets or parts of its business, merging with other companies and undertaking other significant transactions. As a result, holders of Resulting Issuer Class A Shares have the ability to influence many matters affecting the Issuer and actions may be taken that holders of Resulting Issuer Non-Voting Class B Shares may not view as beneficial. The market price of the Resulting Issuer Non-Voting Class B Shares could be adversely affected due to the significant influence and voting power of the holders of Resulting Issuer Class A Shares. Additionally, the full voting interest of holders of Resulting Issuer Class A Shares may discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Resulting Issuer Non-Voting Class B Shares, might otherwise receive a premium for the Resulting Issuer Non-Voting Class B Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Resulting Issuer Class A Shares.

Each of the Issuer's directors and officers owes a fiduciary duty to the Issuer and must act honestly and in good faith with a view to the best interests of Issuer. However, any director and/or officer that is a shareholder, even a controlling shareholder, is entitled to vote its shares in its own interests, which may not always be in the interests of the Issuer's shareholders generally. The holders of the Resulting Issuer Class A Shares may also take actions that other shareholders do not view as beneficial, which may adversely affect the Issuer's results of operations and financial condition and cause the value of an investment to decline.

The Issuer currently depends on a single product

At the Effective Date, the Issuer's only material asset will be its interest in the KLEENHEAT™ system and related technology. Unless the Issuer acquires or develops additional assets or projects, the Issuer will be solely dependent upon the success of these assets for its revenue and profits, if any. There is no assurance that the Issuer will be able to acquire any other assets or projects or that any such acquisition would be approved by the CSE.

Current Global Financial Condition

The Issuer will be required to raise additional funds in the future for the development of its projects and other activities through the issuance of additional equity or debt. Current financial and economic conditions globally have been subject to increased uncertainties. Access to financing has been negatively affected by these economic uncertainties. These factors may affect the ability of the Issuer to obtain equity and/or debt financing in the future and, if obtained, influence the terms available to the Issuer. If these increased levels of volatility and market turmoil continue, the Issuer may not be able to secure appropriate debt or equity financing. If additional capital is raised by the issuance of shares from the treasury of the Issuer, shareholders may suffer dilution. Future borrowings by the Issuer or its subsidiaries may increase the level of financial and interest rate risk to the Issuer as the Issuer will be required to service future indebtedness.

Revenue Growth

If the Issuer is unable to attract new customers or sell products to existing customers, its revenue growth and profitability will be adversely affected. To increase revenue and achieve and maintain profitability, it must regularly add new customers or sell additional solutions to existing customers. Numerous factors, however, may impede its ability to add new customers and sell additional solutions to existing customers, including its inability to convert referrals by its existing network into paying customers, failure to attract and effectively train and motivate sales and marketing personnel, failure to develop relationships with partners or resellers, failure of hydrogen to be accepted as a fuel source generally and/or failure to ensure the effectiveness of marketing programs. In addition, if prospective customers do not perceive the Issuer's solutions to be of sufficiently high value and quality, it will not be able to attract the number and types of new customers that it will be seeking.

Sales Cycles

The Issuer may encounter long sales cycles, particularly with larger customers, which could have an adverse effect on the amount, timing and predictability of revenue. The length of sales cycles may also vary depending on the type of customer to which it is selling, the product being sold and customer requirements.

Future Expenses and Sales

The Issuer may incur substantial sales and marketing and research and development expenses and expend significant management effort during this time, regardless of whether it makes a sale. Many of the risks relating to these matters will be beyond the Issuer's control, including:

- customers' budgetary and scheduling constraints;
- the timing of customers' budget cycles and approval processes; and
- general economic conditions.

The Issuer's results from operations may vary and depending on the product when it can recognize revenue. Downturns or upturns in new sales will not be immediately reflected in operating results and may be difficult to discern. A significant majority of costs will be expensed as incurred, while revenues are recognized over the life of the customer agreement. As a result, increased growth in the number of customers could result in our recognition of more costs than revenues in the earlier periods of the terms of such agreements.

Quarterly Results May Fluctuate

The Issuer's quarterly results of operations may fluctuate. As a result, it may fail to meet or exceed the expectations of investors or securities analysts which could cause its share price to decline. The Issuer's quarterly revenue and results of operations may fluctuate as a result of a variety of factors, many of which are outside of its control. If its quarterly revenue or results of operations fall below the expectations of investors or securities analysts, the price of the Resulting Issuer Non-Voting Class B Shares could decline substantially. Fluctuations in the Issuer's results of operations may be due to a number of factors, including, but not limited to, those listed below:

- demand for and market acceptance of products and/or hydrogen as a fuel source in general;
- the mix of products, and solutions sold during a period;
- the Issuer's ability to retain and increase sales to customers and attract new customers;
- the timing of product deployment which determines when the Issuer can recognize the associated revenue;
- the strength of the economy;

- competition, including entry into the industry by new competitors and new offerings by existing competitors;
- the amount and timing of expenditures related to expanding operations, research and development or introducing new solutions; and
- changes in the payment terms for solutions.

Based on these factors, the margins for the Issuer's products may fluctuate from time to time, depending on the customer and the mix of products and services being sold. Due to the foregoing factors, and the other risks discussed herein, investors should not rely on quarter-to-quarter comparisons of the Issuer's results of operations as an indication of its future performance.

Security of Customer Information

The Issuer's operations will involve the storage and transmission of potentially confidential information of many of its customers and security breaches could expose it to a risk of loss of this information, litigation, indemnity obligations and other liability. If its security measures are breached as a result of third party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to its customers' data, including personally identifiable information regarding users, damage to the Issuer's reputation is likely, its business may suffer and it could incur significant liability. The Issuer will implement technical, organizational and physical security measures, including service provider training, back-up systems, monitoring and testing and maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access to confidential information of customers and to reduce the likelihood of disruptions to its systems. Because techniques used to obtain unauthorized access or to sabotage systems change frequently, it may be unable to prevent these techniques or implement adequate preventive measures in time prior to an actual attack. Despite these measures, all of the Issuer's information systems, including back-up systems and any third party service provider systems that it will employ, will be vulnerable to damage, interruption, disability or failure due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events. The Issuer or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach its security measures or those of our third party service providers' information systems.

Risks Relating to Revenue

The green energy industry is subject to rapid change. The Issuer's ability to attract new customers and increase revenue from existing customers will depend in large part on its ability to effectively develop and market its solutions, to sell into new markets and to further penetrate existing markets. The success of any product depends on several factors, including the timely completion, introduction and market acceptance of the product and hydrogen as a fuel generally. Any new product that the Issuer develops or acquires may not be introduced in a timely or cost-effective manner and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which the Issuer attempts to sell its proucts, including new countries or regions, may not be receptive. If the Issuer is unable to successfully develop or acquire new products, enhance existing products or services to meet customer requirements, sell products and services into new markets or sell products and services to additional customers in existing markets, its revenue will not grow as expected. Moreover, the Issuer will frequently be required to enhance and update its product and services as a result of changing standards and technological developments, which makes it difficult to recover the cost of development and will force the Issuer to continually qualify new features with customers.

Rapid Technological Developments

The industry in which the Issuer will operate is evolving at a rapid pace. Its ability to attract new customers and increase revenue from customers will depend in significant part on its ability to anticipate industry changes and to continue to enhance solutions or introduce or acquire new solutions on a timely basis to keep pace with technological developments. The success of new solution depends on several factors, including the timely completion and market acceptance of the enhancement or new solution. Any new solution the Issuer develops or acquires might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue.

General Economic Downturns

Downturns in general economic and market conditions and reductions in spending may reduce demand for the Issuer's solutions, which could negatively affect its revenue, results of operations and cash flows. Recent events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to the Issuer or to its industry may materially adversely affect the Issuer over the course of time. Volatility in the market price of the Resulting Issuer Non-Voting Class B Shares due to seemingly unrelated financial developments could hurt the Issuer's ability to raise capital for the financing of development or other reasons. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Issuer's business, operating results, and financial conditions.

Competition

The markets in which the Issuer will participate are competitive, and its failure to compete successfully would make it difficult for the Issuer to add and retain customers and would reduce or impede the growth of its business. The hydrogen fuel industry is still awaiting mass adoption and as acceptance increases, more competitors may emerge and offer solutions that may impede on the Issuer's continued growth.

There is potential that the Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Issuer. Because of the early stage of the industry in which the Issuer operates, the Issuer expects to face additional competition from new entrants.

The Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Issuer will require a continued high level of investment in research and development, marketing, sales, and client support. Upon completion of the listing, the Issuer may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Issuer.

Unfavourable Publicity or Consumer Perception

The Issuer believes its industry can be highly dependent upon consumer perception. Consumer perception of the Issuer and its technology can be significantly influenced by research or findings, regulatory investigations, litigation, media attention and other publicity. There can be no assurance that future research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the Issuer or any of its technology, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Issuer's products and the business, results of operations, financial condition and cash flows of the Issuer. The Issuer's dependence upon consumer perceptions means that adverse research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Issuer, the demand for products, and the business, results of operations, financial condition and cash flows of the Issuer.

Development and Growth

The Issuer's growth will be dependent upon the development of its research and development, engineering, manufacturing, operating, sales and marketing, customer service and management personnel. The Issuer's ability to achieve significant growth in revenue in the future will depend, in large part, on its success in recruiting, training and retaining a sufficient number of the foregoing personnel. New personnel require significant training. If the Issuer is unable to hire and develop sufficient numbers of productive personnel, development and sales of its products will suffer and its growth will be impeded.

Fluctuations in Anticipated Growth

If the Issuer experiences significant fluctuations in its rate of anticipated growth and fails to balance its expenses with its revenue forecasts, its results could be harmed. The Issuer will operate in a fast-growing environment and will need to react to where it anticipates significant potential demand for its products to seize revenue opportunities. Such anticipation may require the Issuer to incur expenses in advance of revenue opportunities resulting in lower than anticipated net income over any period of time.

Third Party Service Providers

Interruptions or delays in the services provided by third party data centers and/or internet service providers could impair the delivery of the Issuer's solutions and its business could suffer. In the current business environment of integrated technologies, the Issuer will be dependant and/or rely heavily on third party services providers for critical functions such as Internet services. Any delays or down-times from these providers can significantly impact the Issuer's operations and ability to complete its deliverables to customers, which may adversely affect revenue.

Research and Development Investments

The Issuer may not receive significant revenue as a result of its current research and development efforts. As it invests time, money and efforts into emerging technologies such as hydrogen fuelling solutions and its application in the real world, there is no guarantee that it will receive significant revenue returns for such investment.

Change in Accounting Treatment

Current and future accounting pronouncements and other financial reporting standards might negatively impact the Issuer's financial results. The Issuer will regularly monitor our compliance with financial reporting standards and review new pronouncements and drafts that are relevant to it. Any new standards, changes to existing standards, and changes in their interpretation, may require the Issuer to change its accounting policies. This could lead to changes revenue recognition among other aspects and could have an adverse effect on the Issuer's business, financial position and profit.

Future Sales of Resulting Issuer Non-Voting Class B Shares by Existing Shareholders

Sales of a large number of Resulting Issuer Non-Voting Class B Shares in the public markets, or the potential for such sales, could decrease the trading price of the Resulting Issuer Non-Voting Class B Shares and could impair the Issuer's ability to raise capital through future sales of Resulting Issuer Non-Voting Class B Shares. At the time of closing of the Transaction, the Issuer has previously issued Resulting Issuer Non-Voting Class B Shares at an effective price per share which will be lower than the market price at which the Resulting Issuer Non-Voting Class B Shares may trade in the future. Accordingly, a significant number of shareholders of the Issuer immediately have an investment profit in the Resulting Issuer Non-Voting Class B Shares that they may seek to liquidate.

Litigation Risk

All industries, including the green energy industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit.

Dependence on Key Individuals

The Issuer is and will be dependent on a relatively small number of key personnel, particularly Thomas Fairfull, its President and Chief Executive Officer, the loss of any one of whom could have an adverse effect on the Issuer. At this time, the Issuer does not maintain key-person insurance on the lives of any of its key personnel. In addition, the Issuer will be highly dependent upon contractors and third parties in the performance of its activities. The Issuer provides no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Issuer or be available upon commercially acceptable terms.

Conflicts of Interest

Some of the directors and officers of the Issuer are directors and officers of other companies, some of which are in the same business as the Issuer. Some of the Issuer's directors and officers will continue to pursue the development of other green energy products on their own behalf and on behalf of other companies, and situations may arise where they will be in direct competition with the Issuer. The Issuer's directors and officers are required by law to act in the best interests of the Issuer. They may have the same obligations to the other companies in respect of which they act as directors and officers. Discharge of their obligations to the Issuer may result in a breach of their obligations to the other companies and, in certain circumstances, this could expose the Issuer to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Issuer. Such conflicting legal obligations may expose the Issuer to liability to others and impair its ability to achieve its business objectives.

Fluctuation in Market Value of Resulting Issuer Non-Voting Class B Shares

Assuming the Resulting Issuer Non-Voting Class B Shares are listed on the CSE, the market price of the Resulting Issuer Non-Voting Class B Shares, as a publicly traded stock, can be affected by many variables not directly related to the corporate performance of the Issuer, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of Resulting Issuer Non-Voting Class B Shares in the future cannot be predicted. The lack of an active public market could have a material adverse effect on the price of Resulting Issuer Non-Voting Class B Shares.

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Resulting Issuer Non-Voting Class B Shares is also likely to be significantly affected by short-term changes in the green energy and hydrogen industries and the Issuer's financial condition or results of operations. Other factors unrelated to the Issuer's performance that may have an effect on the price of the Resulting Issuer Non-Voting Class B Shares include the following: the extent of analytical coverage available to investors concerning the Issuer's business may be limited if investment banks with research capabilities do not follow the Issuer's securities; lessening in trading volume and general market interest in the Issuer's securities may affect an investor's ability to trade significant numbers of Resulting Issuer Non-Voting Class B Shares; the size of the Issuer's public float may limit the ability of some institutions to invest in the Issuer's securities; and a substantial decline in the price of the Resulting Issuer Non-Voting Class B Shares that persists for a significant period of time could cause the Issuer's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Resulting Issuer Non-Voting Class B Shares at any given point in time may not accurately reflect the Issuer's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Issuer may in the future be the target of similar litigation or other litigation concerning operational, employment, title, environmental or other matters of which the Issuer is not presently aware.

Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Management of Growth

The Issuer's management anticipates and plans to capitalize on rapid growth. Future operating results will depend on management's ability to manage this anticipated growth, hire and retain qualified employees, properly generate revenues and control expenses. A decline in the growth rate of revenues without a corresponding reduction in the growth rate of expenses could have a material adverse effect on the Issuer's business, results of operations, cash flows and financial condition.

Effectiveness and Efficiency of Advertising and Promotional Expenditures

The future growth and profitability of the Issuer will depend on the effectiveness and efficiency of advertising and promotional expenditures, including the ability of the Issuer to (i) create greater awareness of its technology and products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Issuer's technologies or products. In addition, no assurance can be given that the Issuer will be able to manage its advertising and promotional expenditures on a cost-effective basis.

Potential Inability to Protect Technology

The Issuer's success will be heavily dependent upon technology. There can be no assurance that the steps taken by the Issuer to protect its technology will be adequate to prevent misappropriation or independent third party development of the Issuer's technology. It is likely the other companies can duplicate products similar to those of the Issuer.

Potential Intellectual Property Claims

Companies in the green energy development industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. The Issuer may be subject to intellectual property rights claims in the future and its technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent the Issuer from offering its products and services to others and may require that it procure substitute products or services for these members. With respect to any intellectual property rights claim, the Issuer may have to pay damages or stop using technology found to be in violation of a third party's rights. The Issuer may have to seek a license for the technology, which may not be available on reasonable terms and may significantly increase its operating expenses. The technology also may not be available for license to the Issuer at all. As a result, the Issuer may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If the Issuer cannot license or develop technology for the infringing aspects of its business, it may be forced to limit its product and service offerings and may be unable to compete effectively. Any of these results could harm the Issuer's brand and prevent the Issuer from generating sufficient revenue or achieving profitability.

Uninsured or Uninsurable Risk

The Issuer may become subject to liability for risks against which are uninsurable or against which the Issuer may opt out of insuring due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which insurance is not carried may have a material adverse effect on the Issuer's financial position and operations.

Dividend Policy

The Issuer does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Issuer will remain subject to the discretion of the Board.

Share Price Volatility Risk

The Issuer has applied to list the Resulting Issuer Non-Voting Class B Shares on the CSE in connection with the Transaction. External factors outside of the Issuer's control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward green energy sector stocks may have a significant impact on the market price of the Resulting Issuer Non-Voting Class B Shares. Global stock markets, including the CSE, have, from time-to-time, experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. The same applies to companies in the green energy sector. There can be no assurance that an active or liquid market will develop or be sustained for the Resulting Issuer Non-Voting Class B Shares.

No Guarantee of a Positive Return in an Investment

There is no guarantee that an investment in the Resulting Issuer Non-Voting Class B Shares will earn any positive return in the short term or long term. An investment in the Resulting Issuer Non-Voting Class B Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Resulting Issuer Non-Voting Class B Shares is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Currency Risk

Currency fluctuations may affect the cash flow which the Issuer may realize from its operations, in the event that it generates revenue in a currency which varies from the currency in which it incurs its costs. The Issuer's costs are incurred primarily in Canadian dollars.

18. PROMOTERS

18.1 Thomas Fairfull took the initiative of founding and organizing Kleen and its business and operations and, as such, may be considered to be the promoter of the Issuer for the purposes of applicable securities legislation. As at the closing of the Transaction, Mr. Fairfull is the owner of 10,000,000 Resulting Issuer Class A Shares and 14,000,000 Resulting Issuer Non-Voting Class B Shares, representing 100% of the issued and outstanding Resulting Issuer Class A Shares and 15.7% of the issued and outstanding Resulting Issuer Non-Voting Class B Shares as of the Effective Date. See "Description of the Securities — Prior Sales" above.

18.2 During the 10 years prior to the date of this Listing Statement, Mr. Fairfull has not been subject to: (a) a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order), or (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; nor has Mr. Fairfull been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; nor has Mr. Fairfull become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold his assets.

19. LEGAL PROCEEDINGS

19.1 The Issuer is not aware of any material legal proceedings to which the Issuer or a proposed subsidiary is a party or to which its assets are subject, nor is the Issuer aware that any such proceedings are contemplated.

19.2 There are currently no: (a) penalties or sanctions imposed against the Issuer by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against the Issuer that would likely be considered important to a reasonable investor in making an investment decision in the Issuer; or (c) settlement agreements the Issuer entered into before a court relating to securities legislation or with a securities regulatory authority since the Issuer was incorporated.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

20.1 No director, executive officer, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Resulting Issuer Class A Shares or Resulting Issuer Non-Voting Class B Shares, or any known associates or affiliates of such persons, has or has had at any time during the most recently completed three financial years of the Issuer or during the current financial year of the Issuer, any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect the Issuer other than the entering into of the Letter Agreement and the completion of the Transaction (see "General Development of the Business" above). Certain directors and officers of Kleen became the directors and officers of the Issuer, participated in the

Private Placement and/or received Resulting Issuer Class A Shares or Resulting Issuer Non-Voting Class B Shares pursuant to the Transaction upon the same terms as other shareholders, all as further detailed above.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 The auditor of the Issuer is DNTW Toronto LLP Chartered Professional Accountants,of Toronto, Ontario who has been Kleen's auditor since incorporation and was appointed as the auditor of the Issuer upon the closing of the Transaction.

21.2 The registrar and transfer agent of the Issuer and for the Resulting Issuer Non-Voting Class B Shares is Endeavor Trust Corporation, at its principal offices at 702 777 Hornby St., Vancouver, British Columbia, V6Z 1S4.

22. MATERIAL CONTRACTS FORM 2A - LISTING STATEMENT

22.1 Set forth below is a summary of each material contract, other than contracts entered into in the ordinary course of business, that were entered into within the two years before the date of Listing Statement by the Issuer or a subsidiary of the Issuer:

(i) pursuant to the Transaction, the Amalgamation was effected and Kleen Shareholders received one Resulting Issuer Class A Shares and one Resulting Issuer Non-Voting Class B Shares in exchange for each Kleen Class A Share and Kleen Class B Share held, respectively, pursuant to the Letter Agreement which has been filed on the Issuer's SEDAR profile at www.sedar corn; and

(ii) in connection with the listing of the Resulting Issuer Non-Voting Class B Shares on the CSE, the Issuer has entered into the Escrow Agreement (see item 11.1 — Escrowed Securities).

22.2 The Issuer is not party to any co-tenancy, unitholders' or limited partnership agreement.

23. INTEREST OF EXPERTS

23.1 Stern & Lovrics LLP, the former auditor of the Issuer, has confirmed that it is independent with respect to the Issuer within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

DNTW Toronto LLP Chartered Professional Accountants, the auditor of each of the Issuer and Kleen, has confirmed that it is independent with respect to Kleen within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Certain legal matters relating to the Transaction, the Issuer and Kleen have been passed upon by (i) Paolone Law; and (ii) Fogler Rubinoff LLP.

None of the aforementioned persons nor any directors, officers, employees or partners, as applicable, of each of the aforementioned companies and partnerships, has received or will receive as a result of the Transaction a direct or indirect interest in a property of the Issuer or any associate or affiliate of the Issuer, nor is currently expected to be elected, appointed or employed as a director, officer or employee of the Issuer or any associate or affiliate of the Issuer.

23.2 No person or company referred to in section 23.1 has any beneficial interest in any securities of the Issuer or any Related Person of the Issuer.

23.3 Not applicable.

23.4 No person, nor any director, officer or employee of a person or company referred to in section 23.1, is or is expected to be elected, appointed or employed as a director, officer or employee of the Issuer or any associate or affiliate of the Issuer.

24. OTHER MATERIAL FACTS

24.1 There are no material facts about the Issuer or its securities that are not disclosed under the preceding items that are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

25. FINANCIAL STATEMENTS

25.1 The following financial statement are attached hereto as Schedule "A":

(a) Audited financial statements of 0755 for the fiscal years ended April 30, 2023 and 2024;

(b) Unaudited financial statements of 0755 for the nine-month period ended January 31, 2025;

(c) Audited consolidated financial statements of Kleen for the fiscal years ended December 31, 2022, 2023 and 2024;

(d) Unaudited financial statements of Kleen for the three month period ended March 31, 2025; and

(e) Pro Forma Financial Statements of the Issuer.

25.2 The Issuer is not re-qualifying for listing following a fundamental change.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board, the Issuer hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to the Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

"Thomas Fairfull"	"Ken Hanna"
Thomas Fairfull, President and Chief Executive Officer	Ken Hanna, Director
"Jakson Inwentash"	"John Yurkovich"
Jakson Inwentash, Director	John Yurkovich, Director

CERTIFICATE OF THE PROMOTER

The foregoing contains full, true and plain disclosure of all material information relating to the Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

"Thomas Fairfull"

Thomas Fairfull, Promoter

SCHEDULE "A"
FINANCIAL STATEMENTS

Kleen Hy-Dro-Gen Inc.

Financial Statements
December 31, 2023 and 2022
(Prepared in Canadian Dollars)

Kleen Hy-Dro-Gen Inc.

December 31, 2023 and 2022

Contents

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Independent Auditor's Report

To the Shareholders of
Kleen Hy-Dro-Gen Inc.

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Kleen Hy-Dro-Gen Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

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

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, 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 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 Audits 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 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 financial statements.

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 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 financial statements, including the disclosures, and whether the 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

DNTW Toronto LLP

January 17, 2025
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

Kleen Hy-Dro-Gen Inc.
Statements of Financial Position
As At December 31, 2023 and 2022
(Presented in Canadian Dollars)

	Note	2023	2022
ASSETS			
Current Assets			
Cash		$ 700,244	$ 1,553,269
Investments	4	1,000,278	-
Interest receivable		4,298	-
Sundry receivable		-	10,000
Sales taxes recoverable		23,049	10,660
Total Current Assets		1,727,869	1,573,929
Non-current Assets			
Property and equipment	5	143,675	43,517
Total Assets		$ 1,871,544	$ 1,617,446
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 10,000	$ 22,582
Advances from related party	6	36,155	41,389
Total Current Liabilities		46,155	63,971
Equity			
Class A share capital	7	100	100
Class B share capital	7	3,877,910	3,181,750
Reserves	7	234,000	234,000
Deficit		(2,286,621)	(1,862,375)
Total Equity		1,825,389	1,553,475
Total Liabilities and Equity		$ 1,871,544	$ 1,617,446
Subsequent Events	12		

Approved on Behalf of the Board

/s/ 'Thomas Fairfull'
Director

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

Kleen Hy-Dro-Gen Inc.
Statements of Comprehensive Loss
Years Ended December 31, 2023 and 2022
(Presented in Canadian Dollars)

	Note	2023	2022
Revenue			
Interest income		$ 20,588	$ -
Expenses			
Development costs		329,164	209,919
Professional fees		47,150	61,309
Rental	8	15,000	15,000
Office expenses		10,058	59,840
Amortization	5	43,462	15,488
		444,834	361,556
Net Loss and Comprehensive Loss		(424,246)	(361,556)
Weighted Average Number of Shares Outstanding	7	90,313,352	88,834,586
Loss Per Share - Basic and Diluted	7	$ 0.00	$ 0.00

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

Kleen Hy-Dro-Gen Inc.
Statements of Changes in Equity
Years Ended December 31, 2023 and 2022
(Presented in Canadian Dollars)

	Class A Shares		Class B Shares				
	Number	Amount	Number	Amount	Reserves	Deficit	Total Equity
Balance at December 31, 2021	10,000,000	$ 100	77,964,000	$ 2,650,000	$ 234,000	$ (1,500,819)	$ 1,383,281
Issuance of Class B common shares	-	-	1,735,900	531,750	-	-	531,750
Net loss	-	-	-	-	-	(361,556)	(361,556)
Balance at December 31, 2022	10,000,000	$ 100	79,699,900	$ 3,181,750	$ 234,000	$ (1,862,375)	$ 1,553,475
Issuance of Class B common shares	-	-	1,272,320	696,160	-	-	696,160
Net loss	-	-	-	-	-	(424,246)	(424,246)
Balance at December 31, 2023	10,000,000	$ 100	80,972,220	$ 3,877,910	$ 234,000	$ (2,286,621)	$ 1,825,389

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

Kleen Hy-Dro-Gen Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Presented in Canadian Dollars)

	2023	2022
Operating Activities		
Net loss	$ (424,246)	$ (361,556)
Adjustments to determine net cash flows used in operating activities:		
Amortization	43,462	15,488
Interest income	(20,588)	-
Changes in non-cash working capital:		
Sundry receivable	10,000	90,000
Sales taxes recoverable	(12,389)	3,633
Accounts payable and accrued liabilities	(12,582)	21,331
Cash Used In Operating Activities	(416,343)	(231,104)
Financing Activities		
Proceeds from issuance of Class B common shares	696,160	531,750
Repayment of advances from related party	(5,234)	(154,633)
Cash Provided By Financing Activities	690,926	377,117
Investing Activities		
Purchase of investments	(1,000,278)	-
Purchase of property and equipment	(143,620)	-
Interest received	16,290	-
Cash Used In Investing Activities	(1,127,608)	-
Net Increase (Decrease) in Cash	(853,025)	146,013
Cash, Beginning of Year	1,553,269	1,407,256
Cash, End of Year	$ 700,244	$ 1,553,269

Supplemental Cash Flow Information	2023	2022
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

1. NATURE OF THE BUSINESS

Kleen Hy-Dro-Gen Inc. (the "Company") was incorporated in the Province of Ontario on November 8, 2017. The Company is domiciled in the Province of Ontario and has its registered office at 1885 Clements Road, Unit 253, Pickering, Ontario L1W 3V4.

The Company is an early stage green energy research and development company, focused on developing an accessible residential heating solution using hydrogen instead of fossil fuels in applications where high-grade heat is needed and where electrical heating is not the best option.

The Company has proposed to complete a reverse take-over ("RTO") with a reporting issuer. See note 12 for details of the proposed transaction.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting estimates, judgments, and assumptions used or exercised by management in the preparation of these financial statements are presented below.

The Board of Directors approved these financial statements for issue on January 17, 2025.

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value.

Functional and Presentation Currency

The Company's functional and presentation currency is the Canadian dollar.

Critical Accounting Judgments, Estimates, and Assumptions

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the 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. Uncertainty about these judgments, estimates, and assumptions could result in material adjustment to the carrying amount of the asset or liability affected in future periods.

Significant areas of judgement and estimation uncertainty considered by management in preparing the financial statements are as follows:

Recognition of Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. These estimates will affect the reported amounts of deferred tax assets and expenses.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies used in the preparation of the financial statements are set out below. These policies have been consistently applied to the years presented.

Financial Instruments

Recognition and Derecognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of an instrument. Financial assets and liabilities are derecognized when the rights to receive cash flows from a financial asset have expired or substantially all risks and rewards of ownership have been transferred, or when obligations under financial liabilities have been discharged, cancelled, or expired.

Gains and losses on derecognition, determined as the difference between the settlement amount and the carrying value of a financial asset or liability, are recognized in the statement of comprehensive income (loss).

Classification

Financial assets and liabilities are classified in the following measurement categories: i) those to be measured subsequently at fair value (either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI")), and ii) those to be measured subsequently at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL. For financial assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Classification of financial assets or financial liabilities at FVTPL or FVTOCI, is an irrevocable designation at the time of recognition.

Financial assets are reclassified when, and only when, the Company's business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

Cash and sundry receivable are classified as subsequently measured at amortized cost.

Investments are classified as subsequently measured at FVTPL.

Accounts payable and accrued liabilities and advances from related party are classified as subsequently measured at amortized cost.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial instruments not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of that instrument. Transaction costs of financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest are measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any change taken through profit or loss or other comprehensive income.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Share Capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of shares and stock options are recognized as a deduction from equity. When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity.

Share-based Payments

The Company has a stock option plan that is described in note 7 (c). Employees (including officers), directors, and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received by the Company on the exercise of stock options is credited to share capital. The cost of options is recognized, together with a corresponding increase in reserves, over the period in which the corresponding performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award ("vesting date").

The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted, which represents the movement in cumulative expense recognized as at the beginning and end of that period.

Stock options granted during the period are accounted for in accordance with the fair value method of accounting for share-based payments. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of share-based payments expense.

Where the terms of a stock option award are modified, the minimum expense recognized is the amount as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option, or is otherwise beneficial to the optionee as measured at the date of modification. Where an option is cancelled, any expense not yet recognized for the vested options on the date of cancellation is recognized immediately.

Income Taxes

The Company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for loss carry-forwards. The resulting changes in the net deferred tax asset or liability are included in income.

Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income (loss) in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Loss Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the fiscal year by the weighted average number of ordinary shares outstanding during the fiscal year. The Company considers its Class A common voting shares and Class B common non-voting shares to be ordinary shares. Diluted earnings (loss) per share is determined by adjusting the total of the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive shares. Instruments which would be anti-dilutive are not included in the calculation of diluted earnings (loss) per share.

Research and Development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, they are recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

Change in Accounting Policies

The following new and amended IFRS standards have been adopted as at January 1, 2023. The adoption of these standards did not have a retrospective impact on any financial statement balances as at that date.

Amendments to International Accounting Standard 1, Presentation of Financial Statements (“IAS 1")

In February 2021, the IASB issued amendments to IAS 1, and IFRS Practice Statement 2, Making Materiality Judgments ("IFRS Practice Statement 2"). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have a material impact on the Company’s financial statements.

Recent Accounting Pronouncements

The following IFRS standards are issued but not yet effective. The Company has not yet assessed the impact of these standards on its financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11

Issued in July 2024 and effective for periods beginning on or after January 1, 2026, are the following amendments to existing IFRS standards:

- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*
- Amendments to IFRS 7, *Financial Instruments: Disclosures*
- Amendments to IFRS 9: *Financial Instruments*
- Amendments to IFRS 10, *Consolidated Financial Statements*
- Amendments to IAS 7, *Statement of Cash Flows*

(Presented in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Recent Accounting Pronouncements (Continued)

IFRS 18, *Presentation and Disclosure in the Financial Statements* ("IFRS 18")

Issued in April 2024, IFRS 18 replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 will introduce categories and defined subtotals in the statement of profit or loss, among other requirements to improve aggregation and disaggregation that aim to make financial statements more comparable across entities. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. Early application is permitted.

4. INVESTMENTS

Investments are comprised of the following:

	2023	
	Cost	**Fair Value**
Horizon High Interest Savings ETF	$ 1,000,278	$ 1,000,278

Investments are categorized into Level 1 of the fair value hierarchy and are measured based on quoted market prices.

The Company does not have any other financial instruments measured at fair value and there were no transfers between levels of the fair value hierarchy during the years ended December 31, 2023 and 2022.

5. PROPERTY AND EQUIPMENT

Property and equipment for the year ended December 31, 2023 is as follows:

Cost	**Equipment**	**Vehicle**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Opening balance	$ 8,744	$ 22,861	$ -	$ 39,300	$ 70,905
Additions	54,444	-	78,600	10,576	143,620
Disposals	-	-	-	-	-
Closing balance	$ 63,188	$ 22,861	$ 78,600	$ 49,876	$ 214,525

Accumulated Amortization	**Equipment**	**Vehicle**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Opening balance	$ 3,609	$ 8,059	$ -	$ 15,720	$ 27,388
Amortization	11,916	4,441	15,720	11,385	43,462
Closing balance	$ 15,525	$ 12,500	$ 15,720	$ 27,105	$ 70,850

Carrying Value	**Equipment**	**Vehicle**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Closing balance	$ 47,663	$ 10,361	$ 62,880	$ 22,771	$ 143,675

(Presented in Canadian Dollars)

5. PROPERTY AND EQUIPMENT (Continued)

For the year ended December 31, 2022:

Cost	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Opening balance	$ 8,744	$ 22,861	$ -	$ 39,300	$ 70,905
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Closing balance	$ 8,744	$ 22,861	$ -	$ 39,300	$ 70,905

Accumulated Amortization	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Opening balance	$ 2,325	$ 1,715	$ -	$ 7,860	$ 11,900
Amortization	1,284	6,344	-	7,860	15,488
Closing balance	$ 3,609	$ 8,059	$ -	$ 15,720	$ 27,388

Carrying Value	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Closing balance	$ 5,135	$ 14,802	$ -	$ 23,580	$ 43,517

6. ADVANCES FROM RELATED PARTY

Advances from related party were received from Carpenter House Consulting Group Inc. ("Carpenter House"), which is a corporation controlled by Thomas Fairfull, the President and CEO of the Company. All advances are unsecured, non-interest bearing, and are due on demand. All advances were made for working capital purposes.

7. EQUITY

(a) Authorized

Unlimited Class A common voting shares, no par value ("Class A shares")
Unlimited Class B common non-voting shares, no par value ("Class B shares")

The holders of the Class A shares are entitled to one vote per share at a meeting of the shareholders and the Class B shares are not entitled to vote.

Dividends may be declared on the Class A shares or the Class B shares at the discretion of the Board of Directors. Upon dissolution or winding-up of the Company, the holders of the Class A shares and Class B shares are entitled to receive their pro-rata share of the remaining property of the Company.

(Presented in Canadian Dollars)

7. EQUITY (Continued)

(b) Issued and Outstanding

During the year ended December 31, 2023, the Company transacted in its issued and outstanding shares as follows:

(i) Issued 1,152,320 Class B shares at $0.50 per share in private placements for gross proceeds of $576,160.

(ii) Issued 120,000 Class B shares at $1.00 per share in private placements for gross proceeds of $120,000.

During the year ended December 31, 2022, the Company transacted in its issued and outstanding common shares as follows:

(i) Issued 1,344,800 Class B shares at $0.25 per share in private placements for gross proceeds of $336,200.

(ii) Issued 391,100 Class B shares at $0.50 per share in private placements for gross proceeds of $195,550.

(c) Stock Options

Stock options outstanding during the years ended December 31, 2023 and 2022 are exercisable into Class B shares. The following table reflects the continuity of stock options:

	2023		2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	15,000,000	$ 0.05	15,000,000	$ 0.05
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding, end of year	15,000,000	$ 0.05	15,000,000	$ 0.05
Exercisable, end of year	15,000,000	$ 0.05	15,000,000	$ 0.05

Options granted are accounted for by the fair value method of accounting, whereby share-based payments are recorded over the vesting period and reserves are credited for options granted.

The Company had the following stock options outstanding as at December 31, 2023:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
15,000,000	15,000,000	$0.05	December 31, 2026	3.00 years

(d) Reserves

Reserves are comprised of the initial fair value of stock options granted.

(Presented in Canadian Dollars)

7. EQUITY (Continued)

(e) Loss Per Share

Loss per share is calculated as follows:

	2023	2022
Numerator:		
Net loss	$ (424,246)	$ (361,556)
Denominator:		
Weighted average number of Class A shares outstanding	10,000,000	10,000,000
Weighted average number of Class B shares outstanding	80,313,352	78,834,586
Weighted average number of shares outstanding	90,313,352	88,834,586
Loss Per Share:		
Basic and diluted	$ 0.00	$ 0.00

(f) Maximum Share Dilution

The following table presents the maximum number of ordinary shares that would be outstanding if all dilutive instruments were exercised:

	2023	2022
Class A shares outstanding	10,000,000	10,000,000
Class B shares outstanding	80,972,220	79,699,900
Stock options exercisable	15,000,000	15,000,000
Fully diluted common shares outstanding	105,972,220	104,699,900

8. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations. The Company's related party transactions are as follows:

(a) The Company rents its office space from Carpenter House, the related party described in note 6, on a month-by-month basis. Rent paid to Carpenter House totaled $15,000 for the year ended December 31, 2023 (2022 - $15,000).

(b) Advances from related party are described in note 6.

(c) No compensation was paid to key management personnel for the years ended December 31, 2023 and 2022.

(d) Subsequent to December 31, 2023, the Company completed a private placement with its President and CEO, as described in note 12.

(Presented in Canadian Dollars)

9. INCOME TAXES

Income Tax Expense

Reconciliation of the combined statutory federal and provincial corporate tax rate to the income tax expense is as follows:

	2023	2022
Loss before taxes	$ (424,246)	$ (361,556)
Corporate tax rate	26.50 %	26.50 %
Expected recovery at statutory rates	(112,425)	(95,812)
Deferred tax asset not recognized	112,425	95,812
Income tax expense	$ -	$ -

The components of income tax expense are as follows

	2023	2022
Current income taxes	$ (112,425)	$ (95,812)
Deferred income taxes	112,425	95,812
Income tax expense	$ -	$ -

Deferred Taxes

The components of deferred income taxes have been determined at the combined federal and provincial statutory rate of 26.5% and are as follows:

	2023	2022
Non-capital losses available for carry-forward	$ 319,587	$ 179,393
Property and equipment	(33,168)	(5,399)
Amount not recognized	(286,419)	(173,994)
Deferred tax asset	$ -	$ -

The Company has non-capital losses of approximately $1,205,988, which are available to be carried forward and used against future taxable income. These losses expire as follows:

2039	$ 43,700
2040	46,215
2041	125,481
2042	461,560
2043	529,032
	$ 1,205,988

(Presented in Canadian Dollars)

10. MANAGEMENT OF CAPITAL

The Company includes the following in its managed capital:

	2023	2022
Class A share capital	$ 100	$ 100
Class B share capital	3,877,910	3,181,750
Reserves	234,000	234,000
Deficit	(2,286,621)	(1,862,375)
	$ 1,825,389	$ 1,553,475

The Company's objectives in managing capital are to:

(a) Ensure the Company maintains the minimum level of capital required to effectively operate its business;
(b) Ensure the Company's ability to provide capital growth to its shareholders; and
(c) Maintain a flexible structure that optimizes the cost of capital at acceptable levels of risk.

To maintain its capital structure, the Company keeps all of its assets in very liquid form. The Company's primary sources of capital were proceeds from the issuance of shares. There were no changes in the Company's approach to capital management during the periods presented. The Company are not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

11. FINANCIAL RISK MANAGEMENT

Fair Values

The Company's financial instruments consist of cash, investments, interest receivable, accounts payable and accrued liabilities, and advances from related party. The fair values of these instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures. As at December 31, 2023, the Company has liabilities of $46,155 due within twelve months and has cash and liquid investments of $1,700,522 to meet its current obligations (December 31, 2022 - current liabilities of $63,971 and cash of $1,553,269). Management has judged liquidity risk to be low. There have been no changes to the Company’s liquidity risk management policies since December 31, 2022.

11. FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. As at December 31, 2023, the Company's maximum exposure to credit risk is $1,727,869 and is comprised of cash, liquid investments, and receivables (December 31, 2022 - $1,573,929). All of the Company's cash is held at a chartered bank in Canada. Management has judged credit risk to be low. There have been no changes to the Company's credit risk management policies since December 31, 2022.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. Market risk is comprised of price risk, foreign currency risk, and interest rate risk. The Company is not significantly exposed to foreign currency risk or interest rate risk as it has no variable interest-bearing financial assets or liabilities. The Company's exposure to price risk is described in more detail below.

Price Risk

Price risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in stock market prices. The Company holds one investment in an exchange traded fund ("ETF") which trades at or near the same price at all times due to the nature of the underlying securities held by the ETF which are cash or money market securities with short-term maturities. Total exposure to price risk is equal to the fair value of the investments, which is $1,000,278 as at December 31, 2023 (2022 - $Nil). Management has judged price risk to be low. There have been no changes to the Company's price risk management policies since December 31, 2022. No sensitivity analysis is provided for price risk as management believes it to be not significant.

12. SUBSEQUENT EVENTS

Share Issuances

In May 2024, the Company issued 10,000 Class B shares at $1.00 per share in a private placement for gross proceeds of $10,000.

In December 2024, the Company issued 4,000,000 units to its President at $1.00 per unit in a private placement for gross proceeds of $4,000,000. In payment of the issuance price, the President transferred a portfolio of liquid short-term investments having a fair value of $4,107,115 to the Company. The excess of the fair value of the investments over the value of the units issued was a loan from the President. The loan is unsecured, non-interest bearing, and is due on demand, and was made for working capital purposes.

Each unit is comprised of one Class B share and one warrant. Each warrant is exercisable into Class B shares at $1.00 per warrant and has a term of five years from the date of issuance.

12. SUBSEQUENT EVENTS (Continued)

Proposed Transaction

On September 28, 2023, the Company entered into a binding letter agreement with 0755461 B.C. Ltd. ("Shellco") a reporting issuer registered in the Province of British Columbia, pursuant to which the Company will effect an RTO of Shellco (the "Proposed Transaction"). The Proposed Transaction is expected to proceed by way of amalgamation, arrangement, share exchange, take-over bid or other similarly structured transaction whereby a subsidiary of Shellco and the Company will amalgamate, the result of which will be that (i) each Class A share of the Company will be exchanged for one Class A common voting share of Shellco (a "Resulting Issuer Class A Share"); and (ii) each Class B share of the Company (including those issuable or issued pursuant to the Concurrent Financing described below) will be exchanged for one Class B common non-voting share of Shellco (a "Resulting Issuer Class B Share").

As a condition to the completion of the Proposed Transaction, the Company must complete a private placement offering (the “Concurrent Financing”) of Class B shares or subscription receipts, for aggregate gross proceeds of not less than $1,500,000 upon at a price to be determined by the Company in the context of the market. Upon completion of the Proposed Transaction, Shellco will effect a name change and appoint a new the board of directors determined at the sole discretion of the Company, and the Resulting Issuer will carry on the business of the Company.

Immediately prior to the Proposed Transaction, Shellco will (i) complete a stock consolidation (the “Consolidation”) in respect of its issued and outstanding common shares ("Shellco Shares"), on a basis that results in the number of post-Consolidation Shellco Shares being equal to (i) 4,000,000; plus (ii) in the event the price at which securities are issued in the Concurrent Financing is less than $0.50, such additional number of Shellco Shares as shall entail an aggregate value of $2,000,000 based on a deemed price per Shellco Share equal to the price of the securities issued in the Concurrent Financing; and (ii) file articles of amendment to amend its authorized capital to consist of an unlimited number of Resulting Issuer Class A Shares and Resulting Issuer B Class B Shares, and exchange all Shellco Shares for Resulting Issuer Class B Shares on a 1:1 basis.

The completion of the Proposed Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) completion of due diligence and the negotiation and execution of a definitive agreement; (ii) the receipt of all applicable shareholder approvals for the Proposed Transaction and related matters, to the extent as required by applicable law and policies of any applicable stock exchange; (iii) the receipt of all applicable third party approvals including the approval of the Exchange for the listing of the Resulting Issuer Class B Shares thereon; and (iv) the completion of the Concurrent Financing.

In connection with the Proposed Transaction and pursuant to a promissory note, the Company loaned $30,000 to Shellco on March 31, 2024, and loaned a further $15,000 on October 15, 2024 to assist Shellco with its working capital needs. The promissory note is due on demand following the completion of the Proposed Transaction, or the termination of the Proposed Transaction.

Kleen Hy-Dro-Gen Inc.

Financial Statements
December 31, 2024 and 2023
(Prepared in Canadian Dollars)

Kleen Hy-Dro-Gen Inc.

December 31, 2024 and 2023

Contents

dntw | CHARTERED PROFESSIONAL ACCOUNTANTS
DNTW TORONTO LLP

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Independent Auditor's Report

To the Shareholders of
Kleen Hy-Dro-Gen Inc.

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Kleen Hy-Dro-Gen Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis of Opinion

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

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 IFRS, 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 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 Audits 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 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 financial statements.

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 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 financial statements, including the disclosures, and whether the 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

DNTW Toronto LLP

April 9, 2025
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

Kleen Hy-Dro-Gen Inc.
Statements of Financial Position
As At December 31, 2024 and 2023
(Presented in Canadian Dollars)

	Note	2024	2023
ASSETS			
Current Assets			
Cash		$ 379,414	$ 700,244
Investments	4	5,015,884	1,000,278
Interest receivable		2,719	4,298
Promissory note receivable	14	45,000	-
Supplies		36,000	-
Sales taxes recoverable		59,033	23,049
Total Current Assets		5,538,050	1,727,869
Non-current Assets			
Property and equipment	5	112,781	143,675
Total Assets		$ 5,650,831	$ 1,871,544
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 77,593	$ 10,000
Advances from related party	6	138,440	36,155
Total Current Liabilities		216,033	46,155
Equity			
Class A share capital	7	100	100
Class B share capital	7	6,607,910	3,877,910
Reserves	7	1,514,000	234,000
Deficit		(2,687,212)	(2,286,621)
Total Equity		5,434,798	1,825,389
Total Liabilities and Equity		$ 5,650,831	$ 1,871,544
Proposed Transaction	14		
Subsequent Events	16		

Approved on Behalf of the Board

/s/ 'Thomas Fairfull'
Director

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

Kleen Hy-Dro-Gen Inc.
Statements of Comprehensive Loss
Years Ended December 31, 2024 and 2023
(Presented in Canadian Dollars)

	Note	2024	2023
Expenses			
Development costs	9	$ 245,765	$ 368,574
Professional fees		84,038	7,740
Rental	8	15,000	15,000
Office expenses		22,870	10,058
Amortization	5	34,504	43,462
		402,177	444,834
Loss From Operations		(402,177)	(444,834)
Finance income	10	1,586	20,588
Net Loss and Comprehensive Loss		(400,591)	(424,246)
Weighted Average Number of Shares Outstanding	7 (f)	91,284,269	90,313,352
Loss Per Share - Basic and Diluted	7 (f)	$ 0.00	$ 0.00

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

Kleen Hy-Dro-Gen Inc.
Statements of Changes in Equity
Years Ended December 31, 2024 and 2023
(Presented in Canadian Dollars)

	Class A Shares		Class B Shares				
	Number	Amount	Number	Amount	Reserves	Deficit	Total Equity
Balance at December 31, 2022	10,000,000	$ 100	79,699,900	$ 3,181,750	$ 234,000	$ (1,862,375)	$ 1,553,475
Private placements (note 7 (b))	-	-	1,272,320	696,160	-	-	696,160
Net loss	-	-	-	-	-	(424,246)	(424,246)
Balance at December 31, 2023	10,000,000	$ 100	80,972,220	$ 3,877,910	$ 234,000	$ (2,286,621)	$ 1,825,389
Private placements (note 7 (b))	-	-	4,010,000	2,730,000	1,280,000	-	4,010,000
Net loss	-	-	-	-	-	(400,591)	(400,591)
Balance at December 31, 2024	10,000,000	$ 100	84,982,220	$ 6,607,910	$ 1,514,000	$ (2,687,212)	$ 5,434,798

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

Kleen Hy-Dro-Gen Inc.
Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(Presented in Canadian Dollars)

	2024	2023
Operating Activities		
Net loss	$ (400,591)	$ (424,246)
Adjustments to determine net cash flows used in operating activities:		
Amortization	34,504	43,462
Interest income	(43,700)	(20,588)
Dividend income	(29,604)	-
Net change in unrealized losses on investments	71,718	-
Changes in non-cash working capital:		
Sundry receivable	-	10,000
Promissory note receivable	(45,000)	-
Supplies	(36,000)	-
Sales taxes recoverable	(35,984)	(12,389)
Accounts payable and accrued liabilities	67,593	(12,582)
Cash Used In Operating Activities	(417,064)	(416,343)
Financing Activities		
Proceeds from private placements	4,010,000	696,160
Advances from related party received (paid)	102,285	(5,234)
Cash Provided By Financing Activities	4,112,285	690,926
Investing Activities		
Purchase of investments	(4,087,324)	(1,000,278)
Purchase of property and equipment	(3,610)	(143,620)
Interest received	45,279	16,290
Dividends received	29,604	-
Cash Used In Investing Activities	(4,016,051)	(1,127,608)
Net Decrease in Cash	(320,830)	(853,025)
Cash, Beginning of Year	700,244	1,553,269
Cash, End of Year	$ 379,414	$ 700,244

Supplemental Cash Flow Information	2024	2023
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

1. NATURE OF THE BUSINESS

Kleen Hy-Dro-Gen Inc. (the "Company") was incorporated in the Province of Ontario on November 8, 2017. The Company is domiciled in the Province of Ontario and has its registered office at 1885 Clements Road, Unit 253, Pickering, Ontario L1W 3V4.

The Company is an early stage green energy research and development company, focused on developing an accessible residential heating solution using hydrogen instead of fossil fuels in applications where high-grade heat is needed and where electrical heating is not the best option.

The Company has proposed to complete a reverse take-over ("RTO") with a reporting issuer. See note 14 for details of the proposed transaction.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting estimates, judgments, and assumptions used or exercised by management in the preparation of these financial statements are presented below.

The Board of Directors approved these financial statements for issue on April 9, 2025.

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value.

Functional and Presentation Currency

The Company's functional and presentation currency is the Canadian dollar.

Critical Accounting Judgments, Estimates, and Assumptions

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the 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. Uncertainty about these judgments, estimates, and assumptions could result in material adjustment to the carrying amount of the asset or liability affected in future periods.

Significant areas of judgement and estimation uncertainty considered by management in preparing the financial statements are as follows:

Recognition of Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. These estimates will affect the reported amounts of deferred tax assets and expenses.

2. BASIS OF PREPARATION (Continued)

Critical Accounting Judgments, Estimates, and Assumptions (Continued)

Valuation of Warrants

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued in private placements. The Black-Scholes model involves six key inputs to determine the fair value of a warrant: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. These estimates impact the value of warrants and allocations to share capital and reserves.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies used in the preparation of the financial statements are set out below. These policies have been consistently applied to the years presented.

Financial Instruments

Recognition and Derecognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of an instrument. Financial assets and liabilities are derecognized when the rights to receive cash flows from a financial asset have expired or substantially all risks and rewards of ownership have been transferred, or when obligations under financial liabilities have been discharged, cancelled, or expired.

Gains and losses on derecognition, determined as the difference between the settlement amount and the carrying value of a financial asset or liability, are recognized in the statement of comprehensive income (loss).

Classification

Financial assets and liabilities are classified in the following measurement categories: i) those to be measured subsequently at fair value (either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI")), and ii) those to be measured subsequently at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL. For financial assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Classification of financial assets or financial liabilities at FVTPL or FVTOCI, is an irrevocable designation at the time of recognition.

Financial assets are reclassified when, and only when, the Company's business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

Cash, interest receivable, and promissory note receivable are classified as subsequently measured at amortized cost.

Investments are classified as subsequently measured at FVTPL.

Accounts payable and accrued liabilities and advances from related party are classified as subsequently measured at amortized cost.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial instruments not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of that instrument. Transaction costs of financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest are measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any change taken through profit or loss or other comprehensive income.

Fair Value Hierarchy

The Company has a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Company's financial instruments. The hierarchy of inputs is summarized below:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data.

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value

Share Capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of shares and stock options are recognized as a deduction from equity. When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity.

Income Taxes

The Company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for loss carry-forwards. The resulting changes in the net deferred tax asset or liability are included in income.

Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income (loss) in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Loss Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the fiscal year by the weighted average number of ordinary shares outstanding during the fiscal year. The Company considers its Class A common voting shares and Class B common non-voting shares to be ordinary shares. Diluted earnings (loss) per share is determined by adjusting the total of the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive shares. Instruments which would be anti-dilutive are not included in the calculation of diluted earnings (loss) per share.

Research and Development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, they are recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

Recent Accounting Pronouncements

The following IFRS standards are issued but not yet effective. The Company has not yet assessed the impact of these standards on its financial statements.

(a) Annual Improvements to IFRS Accounting Standards – Volume 11

Issued in July 2024 and effective for periods beginning on or after January 1, 2026, are the following amendments to existing IFRS standards:

- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*
- Amendments to IFRS 7, *Financial Instruments: Disclosures*
- Amendments to IFRS 9, *Financial Instruments*
- Amendments to IFRS 10, *Consolidated Financial Statements*
- Amendments to IAS 7, *Statement of Cash Flows*

(b) IFRS 18, *Presentation and Disclosure in the Financial Statements* (“IFRS 18”)

Issued in April 2024, IFRS 18 replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 will introduce categories and defined subtotals in the statement of profit or loss, among other requirements to improve aggregation and disaggregation that aim to make financial statements more comparable across entities. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. Early application is permitted.

The Company has not yet begun the process of assessing the impact that the new standards will have on its financial statements or whether to early adopt any of the new requirements.

(Presented in Canadian Dollars)

4. INVESTMENTS

Investments are comprised of the following:

	2024		2023	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money market	$ 1,062,604	$ 1,062,604	$ 1,000,278	$ 1,000,278
Equities	1,778,895	1,735,160	-	-
Mutual funds	2,246,103	2,218,120	-	-
	$ 5,087,602	$ 5,015,884	$ 1,000,278	$ 1,000,278

Investments in money market, equities, and mutual funds are categorized into Level 1 of the fair value hierarchy and are measured based on quoted market prices. The Company does not have any other financial instruments measured at fair value and there were no transfers between levels of the fair value hierarchy during the years ended December 31, 2024 and 2023.

5. PROPERTY AND EQUIPMENT

Property and equipment for the year ended December 31, 2024 is as follows:

Cost	**Equipment**	**Vehicle**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Opening balance	$ 63,188	$ 22,861	$ 78,600	$ 49,876	$ 214,525
Additions	3,610	-	-	-	3,610
Disposals	-	-	-	-	-
Closing balance	$ 66,798	$ 22,861	$ 78,600	$ 49,876	$ 218,135

Accumulated Amortization	**Equipment**	**Vehicle**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Opening balance	$ 15,525	$ 12,500	$ 15,720	$ 27,105	$ 70,850
Amortization	10,255	3,108	12,576	8,565	34,504
Closing balance	$ 25,780	$ 15,608	$ 28,296	$ 35,670	$ 105,354

Carrying Value	**Equipment**	**Vehicle**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Closing balance	$ 41,018	$ 7,253	$ 50,304	$ 14,206	$ 112,781

(Presented in Canadian Dollars)

5. PROPERTY AND EQUIPMENT (Continued)

For the year ended December 31, 2023:

Cost	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Opening balance	$ 8,744	$ 22,861	$ -	$ 39,300	$ 70,905
Additions	54,444	-	78,600	10,576	143,620
Disposals	-	-	-	-	-
Closing balance	$ 63,188	$ 22,861	$ 78,600	$ 49,876	$ 214,525

Accumulated Amortization	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Opening balance	$ 3,609	$ 8,059	$ -	$ 15,720	$ 27,388
Amortization	11,916	4,441	15,720	11,385	43,462
Closing balance	$ 15,525	$ 12,500	$ 15,720	$ 27,105	$ 70,850

Carrying Value	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Closing balance	$ 47,663	$ 10,361	$ 62,880	$ 22,771	$ 143,675

6. ADVANCES FROM RELATED PARTY

Advances were received from Carpenter House Consulting Group Inc. ("Carpenter House"), which is a corporation controlled by Thomas Fairfull, the President and CEO of the Company. All advances are unsecured, non-interest bearing, and are due on demand. All advances were made for working capital purposes. Subsequent to December 31, 2024, the advances were repaid.

7. EQUITY

(a) Authorized

Unlimited Class A common voting shares, no par value ("Class A shares")
Unlimited Class B common non-voting shares, no par value ("Class B shares")

The holders of the Class A shares are entitled to one vote per share at a meeting of the shareholders and the Class B shares are not entitled to vote.

Dividends may be declared on the Class A shares or the Class B shares at the discretion of the Board of Directors. Upon dissolution or winding-up of the Company, the holders of the Class A shares and Class B shares are entitled to receive their pro-rata share of the remaining property of the Company.

(Presented in Canadian Dollars)

7. EQUITY (Continued)

(b) Issued and Outstanding

During the year ended December 31, 2024, the Company transacted in its issued and outstanding shares as follows:

(i) Issued 10,000 Class B shares at $1.00 per share in a private placement for gross proceeds of $10,000.

(ii) Issued 4,000,000 units to the President of the Company at $1.00 per unit in a private placement for gross proceeds of $4,000,000. Each unit is comprised of one Class B share and one warrant. Each warrant is exercisable into Class B shares at $1.00 per warrant and has a term of five years from the date of issuance.

During the year ended December 31, 2023, the Company transacted in its issued and outstanding common shares as follows:

(i) Issued 1,152,320 Class B shares at $0.50 per share in private placements for gross proceeds of $576,160.

(ii) Issued 120,000 Class B shares at $1.00 per share in private placements for gross proceeds of $120,000.

(c) Stock Options

Stock options outstanding during the years ended December 31, 2024 and 2023 are exercisable into Class B shares. The following table reflects the continuity of stock options:

	2024			2023		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	15,000,000	$	0.05	15,000,000	$	0.05
Granted	-		-	-		-
Exercised	-		-	-		-
Expired	-		-	-		-
Outstanding, end of year	15,000,000	$	0.05	15,000,000	$	0.05
Exercisable, end of year	15,000,000	$	0.05	15,000,000	$	0.05

Options granted are accounted for by the fair value method of accounting, whereby share-based payments are recorded over the vesting period and reserves are credited for options granted.

The Company had the following stock options outstanding as at December 31, 2024:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
15,000,000	15,000,000	$0.05	December 31, 2026	2.00 years

(Presented in Canadian Dollars)

7. EQUITY (Continued)

(d) Warrants

The following table reflects the continuity of warrants:

	2024	
	Number of Warrants	**Weighted Average Exercise Price**
Outstanding, beginning of year	-	$ -
Issued (i)	4,000,000	1.00
Exercised	-	-
Expired	-	-
Outstanding, end of year	4,000,000	$ 1.00

(i) On December 3, 2024, the Company issued 4,000,000 warrants in a unit private placement, which are exercisable at $1.00 per warrant and have a term of five years.

The fair value of warrants issued during the year ended December 31, 2024 was calculated as $0.46 per warrant, based on the Black-Scholes option pricing model. The value assigned to warrants issued during the year ended December 31, 2024 was $1,280,000 (2023 - $Nil).

The fair value of the warrants issued was estimated at the issue date using the following weighted average assumptions:

	2024
Share price	$ 1.00
Expected volatility	50 %
Dividend yield	0 %
Risk-free interest rate	3.05 %
Expected life	5 years

The expected volatility is based on management's estimate of the volatility in the Company's share price over the life of the warrants based on past history. The Company has not paid any cash dividends historically and does not have any plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian benchmark bonds with an equivalent term to maturity. The expected life of the warrants is based on management's estimate of the time that the warrants will be outstanding.

The Company had the following warrants outstanding as at December 31, 2024:

Number of Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
4,000,000	$1.00	December 3, 2029	4.93 years

(e) Reserves

Reserves are comprised of the initial fair value of stock options granted and warrants issued.

(Presented in Canadian Dollars)

7. EQUITY (Continued)

(f) Loss Per Share

Loss per share is calculated as follows:

	2024	2023
Numerator:		
Net loss	$ (400,591)	$ (424,246)
Denominator:		
Weighted average number of Class A shares outstanding	10,000,000	10,000,000
Weighted average number of Class B shares outstanding	81,284,269	80,313,352
Weighted average number of shares outstanding	91,284,269	90,313,352
Loss Per Share:		
Basic and diluted	$ 0.00	$ 0.00

(g) Maximum Share Dilution

The following table presents the maximum number of ordinary shares that would be outstanding if all dilutive instruments were exercised:

	2024	2023
Class A shares outstanding	10,000,000	10,000,000
Class B shares outstanding	84,982,220	80,972,220
Stock options exercisable	15,000,000	15,000,000
Warrants outstanding	4,000,000	-
Fully diluted common shares outstanding	113,982,220	105,972,220

8. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations. The Company's related party transactions are as follows:

(a) The Company rents its office space from Carpenter House, the related party described in note 6, on a month-by-month basis. Rent paid to Carpenter House totaled $15,000 for the year ended December 31, 2024 (2023 - $15,000).

(b) The Company issued 4,000,000 Class B shares to its President during the year ended December 31, 2024, as described in note 7 (b) (ii).

(c) Advances from a related party are described in note 6.

(d) No compensation was paid to key management personnel for the years ended December 31, 2024 and 2023.

(Presented in Canadian Dollars)

9. DEVELOPMENT COSTS

Development costs are comprised of the following:

		2024		2023
Materials and supplies	$	67,232	$	177,164
Patent fees and costs		58,533		39,410
Consulting fees		120,000		152,000
	$	245,765	$	368,574

10. FINANCE INCOME

Finance income is comprised of the following:

		2024		2023
Interest	$	43,700	$	20,588
Dividends		29,604		-
Net change in unrealized losses on investments		(71,718)		-
	$	1,586	$	20,588

11. INCOME TAXES

Income Tax Expense

Reconciliation of the combined statutory federal and provincial corporate tax rate to the income tax expense is as follows:

		2024		2023
Loss before taxes	$	(400,591)	$	(424,246)
Corporate tax rate		26.50 %		26.50 %
Expected recovery at statutory rates		(106,157)		(112,425)
Deferred tax asset not recognized		106,157		112,425
Income tax expense	$	-	$	-

The components of income tax expense are as follows

		2024		2023
Current income taxes	$	(106,157)	$	(112,425)
Deferred income taxes		106,157		112,425
Income tax expense	$	-	$	-

(Presented in Canadian Dollars)

11.INCOME TAXES (Continued)

Deferred Taxes

The components of deferred income taxes have been determined at the combined federal and provincial statutory rate of 26.5% and are as follows:

	2024	2023
Non-capital losses available for carry-forward	$ 398,767	$ 319,587
Investments	19,005	-
Property and equipment	(25,197)	(33,168)
Amount not recognized	(392,575)	(286,419)
Deferred tax asset	$ -	$ -

The Company has non-capital losses of approximately $1,504,782, which are available to be carried forward and used against future taxable income. These losses expire as follows:

2039	$ 14,096
2040	46,215
2041	125,481
2042	461,560
2043	529,032
2044	328,398
	$ 1,504,782

12. MANAGEMENT OF CAPITAL

The Company includes the following in its managed capital:

	2024	2023
Class A share capital	$ 100	$ 100
Class B share capital	6,607,910	3,877,910
Reserves	1,514,000	234,000
Deficit	(2,687,212)	(2,286,621)
	$ 5,434,798	$ 1,825,389

The Company's objectives in managing capital are to:

(a) Ensure the Company maintains the minimum level of capital required to effectively operate its business;
(b) Ensure the Company's ability to provide capital growth to its shareholders; and
(c) Maintain a flexible structure that optimizes the cost of capital at acceptable levels of risk.

To maintain its capital structure, the Company keeps all of its assets in very liquid form. The Company's primary sources of capital were proceeds from the issuance of shares. There were no changes in the Company's approach to capital management during the periods presented. The Company are not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

(Presented in Canadian Dollars)

12.. MANAGEMENT OF CAPITAL (Continued)

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

13. FINANCIAL RISK MANAGEMENT

Fair Values

The Company's financial instruments consist of cash, investments, interest receivable, promissory notes receivable, accounts payable and accrued liabilities, and advances from related party. The fair values of these instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures. As at December 31, 2024, the Company has liabilities of $216,033 due within twelve months and has cash and liquid investments of $5,395,298 to meet its current obligations (December 31, 2023 - current liabilities of $46,155 and cash of $1,700,522). Management has judged liquidity risk to be low. There have been no changes to the Company's liquidity risk management policies since December 31, 2023.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. Cash and money market investments are the Company's largest exposure to credit risk, and management considers these to be low, due to the high credit ratings of the financial institutions and governments who are the counterparties.

The allowance for doubtful accounts and bad debts expense are $Nil as at and for the years ended December 31, 2024 and 2023. Management has judged credit risk to be low. There have been no changes to the Company's credit risk management policies since December 31, 2023.

The Company's maximum exposure to credit risk is presented below.

	2024	2023
Cash and deposits		
Cash	$ 379,414	$ 700,244
Investments	1,062,604	1,000,278
	1,442,018	1,700,522
Loans and receivables		
Interest receivable	2,719	4,298
Promissory note receivable	45,000	-
Sales taxes recoverable	59,033	23,049
	106,752	27,347
	$ 1,548,770	$ 1,727,869

(Presented in Canadian Dollars)

13. FINANCIAL RISK MANAGEMENT (Continued)

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. Market risk is comprised of price risk, foreign currency risk, and interest rate risk. The Company is not significantly exposed to foreign currency risk or interest rate risk as it has no financial assets or liabilities which are interest-bearing at variable rates, or denominated in foreign currencies. The Company's exposure to price risk is described in more detail below.

Price Risk

Price risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in stock or bond market prices. The Company is exposed to market price fluctuations on its investments in equities and mutual funds, for which total exposure is $3,953,280 as at December 31, 2024 (2023 - $Nil). Price fuctuations on money market investments are not significant. Management has judged price risk to be low. There have been no changes to the Company's price risk management policies since December 31, 2023.

A sensitivity analysis of the impact on net loss and comprehensive loss for changes in the market prices of investments in equities and mutual funds is presented below:

	2024	2023
Favourable by 4%	$ 158,131	$ -
Favourable by 2%	79,066	-
No change	-	-
Unfavourable by 2%	(79,066)	-
Unfavourable by 4%	(158,131)	-

14. PROPOSED TRANSACTION

On September 28, 2023, the Company entered into a binding letter agreement with 0755461 B.C. Ltd. ("Shellco") a reporting issuer registered in the Province of British Columbia, pursuant to which the Company will effect an RTO of Shellco (the "Proposed Transaction"). The Proposed Transaction is expected to proceed by way of amalgamation, arrangement, share exchange, take-over bid or other similarly structured transaction whereby a subsidiary of Shellco and the Company will amalgamate, the result of which will be that (i) each Class A share of the Company will be exchanged for one Class A common voting share of Shellco (a "Resulting Issuer Class A Share"); and (ii) each Class B share of the Company (including those issuable or issued pursuant to the Concurrent Financing described below) will be exchanged for one Class B common non-voting share of Shellco (a "Resulting Issuer Class B Share").

As a condition to the completion of the Proposed Transaction, the Company must complete a private placement offering (the "Concurrent Financing") of Class B shares or subscription receipts, for aggregate gross proceeds of not less than $1,500,000 upon at a price to be determined by the Company in the context of the market. Upon completion of the Proposed Transaction, Shellco will effect a name change and appoint a new the board of directors determined at the sole discretion of the Company, and the Resulting Issuer will carry on the business of the Company.

16. PROPOSED TRANSACTION (Continued)

Immediately prior to the Proposed Transaction, Shellco will (i) complete a stock consolidation (the “Consolidation”) in respect of its issued and outstanding common shares ("Shellco Shares"), on a basis that results in the number of post-Consolidation Shellco Shares being equal to (i) 4,000,000; plus (ii) in the event the price at which securities are issued in the Concurrent Financing is less than $0.50, such additional number of Shellco Shares as shall entail an aggregate value of $2,000,000 based on a deemed price per Shellco Share equal to the price of the securities issued in the Concurrent Financing; and (ii) file articles of amendment to amend its authorized capital to consist of an unlimited number of Resulting Issuer Class A Shares and Resulting Issuer B Class B Shares, and exchange all Shellco Shares for Resulting Issuer Class B Shares on a 1:1 basis.

The completion of the Proposed Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) completion of due diligence and the negotiation and execution of a definitive agreement; (ii) the receipt of all applicable shareholder approvals for the Proposed Transaction and related matters, to the extent as required by applicable law and policies of any applicable stock exchange; (iii) the receipt of all applicable third party approvals including the approval of the Exchange for the listing of the Resulting Issuer Class B Shares thereon; and (iv) the completion of the Concurrent Financing. The Concurrent Financing was completed in December 2024 upon issuance of units for gross proceeds of $4,000,000, as disclosed in note 7 (b).

In connection with the Proposed Transaction and pursuant to a promissory note, the Company loaned $30,000 to Shellco on March 31, 2024, and loaned a further $15,000 on October 15, 2024 to assist Shellco with its working capital needs. The promissory note is due on demand following the completion of the Proposed Transaction, or the termination of the Proposed Transaction.

15. COMPARATIVE INFORMATION

Certain comparative information as at and for the year ended December 31, 2024 has been reclassified to conform to the current year's presentation.

16. SUBSEQUENT EVENTS

(a) Subsequent to December 31, 2024, the Company issued 20,000 Class B shares at $1.00 per share in a private placement for gross proceeds of $20,000.

(b) Subsequent to December 31, 2024, the Company repaid the advances from a related party described in note 6.

Kleen Hy-Dro-Gen Inc.

Interim Condensed Financial Statements
March 31, 2025 and 2024
(Prepared in Canadian Dollars)

Kleen Hy-Dro-Gen Inc.

March 31, 2025 and 2024

Contents

Kleen Hy-Dro-Gen Inc.
Interim Condensed Statements of Financial Position
As At
(Presented in Canadian Dollars)

	Note	March 31, 2025	December 31, 2024
ASSETS			
Current Assets			
Cash		$ 141,172	$ 379,414
Investments	3	4,922,270	5,015,884
Interest receivable		-	2,719
Promissory note receivable	13	45,000	45,000
Supplies		36,000	36,000
Sales taxes recoverable		23,696	59,033
Total Current Assets		5,168,138	5,538,050
Non-current Assets			
Property and equipment	4	105,177	112,781
Total Assets		$ 5,273,315	$ 5,650,831
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 68,112	$ 77,593
Advances from related party	5	-	138,440
Total Current Liabilities		68,112	216,033
Equity			
Class A share capital	6	100	100
Class B share capital	6	6,627,910	6,607,910
Reserves	6	1,514,000	1,514,000
Deficit		(2,936,807)	(2,687,212)
Total Equity		5,205,203	5,434,798
Total Liabilities and Equity		$ 5,273,315	$ 5,650,831
Proposed Transaction	12		
Subsequent Event	13		

Approved on Behalf of the Board

/s/ 'Thomas Fairfull'
Director

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

Kleen Hy-Dro-Gen Inc.
Interim Condensed Statements of Comprehensive Loss
Three Months Ended March 31, 2025 and 2024
(Presented in Canadian Dollars)

	Note		2025		2024
Expenses					
Advertising and promotion		$	74,190	$	-
Professional fees			58,473		-
Development costs	8		37,764		33,482
Office expenses			26,823		2,871
Rental	7		3,750		3,750
Amortization	4		7,604		7,510
			208,604		47,613
Loss From Operations			(208,604)		(47,613)
Finance income (loss)	9		(40,991)		12,494
Net Loss and Comprehensive Loss			(249,595)		(35,119)
Weighted Average Number of Shares Outstanding	6		94,993,776		90,972,220
Loss Per Share - Basic and Diluted	6	$	0.00	$	0.00

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

Kleen Hy-Dro-Gen Inc.
Interim Condensed Statements of Changes in Equity
Three Months Ended March 31, 2025 and 2024
(Presented in Canadian Dollars)

	Class A Shares		Class B Shares				
	Number	**Amount**	**Number**	**Amount**	**Reserves**	**Deficit**	**Total Equity**
Balance at December 31, 2023	10,000,000	$ 100	80,972,220	$ 3,877,910	$ 234,000	$ (2,286,621)	$ 1,825,389
Net loss	-	-	-	-	-	(35,119)	(35,119)
Balance at March 31, 2024	10,000,000	$ 100	80,972,220	$ 3,877,910	$ 234,000	$ (2,321,740)	$ 1,790,270

	Class A Shares		Class B Shares				
	Number	**Amount**	**Number**	**Amount**	**Reserves**	**Deficit**	**Total Equity**
Balance at December 31, 2024	10,000,000	$ 100	84,982,220	6,607,910	1,514,000	(2,687,212)	5,434,798
Issuance of Class B common shares	-	-	20,000	20,000	-	-	20,000
Net loss	-	-	-	-	-	(249,595)	(249,595)
Balance at March 31, 2025	10,000,000	$ 100	85,002,220	$ 6,627,910	$ 1,514,000	$ (2,936,807)	$ 5,205,203

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

Kleen Hy-Dro-Gen Inc.
Interim Condensed Statements of Cash Flows
Three Months Ended March 31, 2025 and 2024
(Presented in Canadian Dollars)

	2025	2024
Operating Activities		
Net loss	$ (249,595)	$ (35,119)
Adjustments to determine net cash flows used in operating activities:		
Amortization	7,604	7,510
Interest income	(6,091)	(12,494)
Dividend income	(49,039)	-
Realized loss on investments	6,706	-
Net change in unrealized losses on investments	89,415	-
Changes in non-cash working capital:		
Sales taxes recoverable	35,337	(6,230)
Accounts payable and accrued liabilities	(9,481)	(12,104)
Cash Used In Operating Activities	(175,144)	(58,437)
Financing Activities		
Proceeds from issuance of Class B common shares	20,000	-
Repayment of advances from related party	(138,440)	-
Cash Used In Financing Activities	(118,440)	-
Investing Activities		
Purchase of investments	(909,233)	-
Proceeds on sale of investments	906,726	-
Interest received	8,810	16,792
Dividends received	49,039	-
Cash Provided By Investing Activities	55,342	16,792
Net Decrease in Cash	(238,242)	(41,645)
Cash, Beginning of Period	379,414	700,244
Cash, End of Period	$ 141,172	$ 658,599

Supplemental Cash Flow Information	2025	2024
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

1. NATURE OF THE BUSINESS

Kleen Hy-Dro-Gen Inc. (the "Company") was incorporated in the Province of Ontario on November 8, 2017. The Company is domiciled in the Province of Ontario and has its registered office at 1885 Clements Road, Unit 253, Pickering, Ontario L1W 3V4.

The Company is an early stage green energy research and development company, focused on developing an accessible residential heating solution using hydrogen instead of fossil fuels in applications where high-grade heat is needed and where electrical heating is not the best option.

The Company has proposed to complete a reverse take-over ("RTO") with a reporting issuer. See note 13 for details of the proposed transaction.

2. BASIS OF PREPARATION

Statement of Compliance

These interim condensed financial statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with IFRS.

These interim condensed financial statements for the three months ended March 31, 2025 should be read together with the annual financial statements as at and for the year ended December 31, 2024. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements, as described in note 3 of the annual audited financial statements.

The Board of Directors approved these interim condensed financial statements for issue on May 23, 2025.

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value.

Functional and Presentation Currency

The Company’s functional and presentation currency is the Canadian dollar.

Critical Accounting Judgments, Estimates, and Assumptions

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the 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. Uncertainty about these judgments, estimates, and assumptions could result in material adjustment to the carrying amount of the asset or liability affected in future periods.

The judgments, estimates, and assumptions involved in preparing these interim condensed financial statements are the same as those disclosed in the annual audited financial statements.

(Presented in Canadian Dollars)

3. INVESTMENTS

Investments are comprised of the following:

	March 31, 2025		December 31, 2024	
	Cost	Fair Value	Cost	Fair Value
Money market	$ 960,749	$ 959,954	$ 1,062,604	$ 1,062,604
Equities	1,757,983	1,663,498	1,778,895	1,735,160
Mutual funds	2,364,671	2,298,818	2,246,103	2,218,120
	$ 5,083,403	$ 4,922,270	$ 5,087,602	$ 5,015,884

Investments in money market, equities, and mutual funds are categorized into Level 1 of the fair value hierarchy and are measured based on quoted market prices. The Company does not have any other financial instruments measured at fair value and there were no transfers between levels of the fair value hierarchy during the period ended March 31, 2025.

4. PROPERTY AND EQUIPMENT

Property and equipment for the period ended March 31, 2025 is as follows:

Cost	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Opening balance	$ 66,798	$ 22,861	$ 78,600	$ 49,876	$ 218,135
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Closing balance	$ 66,798	$ 22,861	$ 78,600	$ 49,876	$ 218,135

Accumulated Amortization	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Opening balance	$ 25,780	$ 15,608	$ 28,296	$ 35,670	$ 105,354
Amortization	2,051	544	2,515	2,494	7,604
Closing balance	$ 27,831	$ 16,152	$ 30,811	$ 38,164	$ 112,958

Carrying Value	Equipment	Vehicle	Furniture and Fixtures	Leasehold Improvements	Total
Closing balance	$ 38,967	$ 6,709	$ 47,789	$ 11,712	$ 105,177

5. ADVANCES FROM RELATED PARTY

Advances were received from Carpenter House Consulting Group Inc. ("Carpenter House"), which is a corporation controlled by Thomas Fairfull, the President and CEO of the Company. All advances are unsecured, non-interest bearing, and are due on demand. All advances were made for working capital purposes. Advances were repaid in full on January 20, 2025.

(Presented in Canadian Dollars)

6. EQUITY

(a) Authorized

Unlimited Class A common voting shares, no par value ("Class A shares")
Unlimited Class B common non-voting shares, no par value ("Class B shares")

The holders of the Class A shares are entitled to one vote per share at a meeting of the shareholders and the Class B shares are not entitled to vote.

Dividends may be declared on the Class A shares or the Class B shares at the discretion of the Board of Directors. Upon dissolution or winding-up of the Company, the holders of the Class A shares and Class B shares are entitled to receive their pro-rata share of the remaining property of the Company.

(b) Issued and Outstanding

During the three months ended March 31, 2025, the Company transacted in its issued and outstanding shares as follows:

(i) Issued 20,000 Class B shares at $1.00 per share in a private placement for gross proceeds of $20,000.

(c) Stock Options

Stock options outstanding are exercisable into Class B shares. The following table reflects the continuity of stock options:

	March 31, 2025	
	Number of Options	**Weighted Average Exercise Price**
Outstanding, beginning of period	15,000,000	$ 0.05
Granted	-	-
Exercised	-	-
Expired	-	-
Outstanding, end of period	15,000,000	$ 0.05
Exercisable, end of period	15,000,000	$ 0.05

Options granted are accounted for by the fair value method of accounting, whereby share-based payments are recorded over the vesting period and reserves are credited for options granted.

The Company had the following stock options outstanding as at March 31, 2025:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
15,000,000	15,000,000	$0.05	December 31, 2026	1.75 years

(Presented in Canadian Dollars)

6. EQUITY (Continued)

(d) Warrants

The following table reflects the continuity of warrants:

	2025	
	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	4,000,000	$ 1.00
Issued	-	-
Exercised	-	-
Expired	-	-
Outstanding, end of period	4,000,000	$ 1.00

The Company had the following warrants outstanding as at March 31, 2025:

Number of Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
4,000,000	$1.00	December 3, 2029	4.68 years

(e) Reserves

Reserves are comprised of the initial fair value of stock options granted and warrants issued.

(f) Loss Per Share

Loss per share is calculated as follows:

	2025	2024
Numerator:		
Net loss	$ (249,595)	$ (35,119)
Denominator:		
Weighted average number of Class A shares outstanding	10,000,000	10,000,000
Weighted average number of Class B shares outstanding	84,993,776	80,972,220
Weighted average number of shares outstanding	94,993,776	90,972,220
Loss Per Share:		
Basic and diluted	$ 0.00	$ 0.00

(Presented in Canadian Dollars)

6. EQUITY (Continued)

(g) Maximum Share Dilution

The following table presents the maximum number of ordinary shares that would be outstanding if all dilutive instruments were exercised:

	March 31, 2025	December 31, 2024
Class A shares outstanding	10,000,000	10,000,000
Class B shares outstanding	85,002,220	84,982,220
Stock options exercisable	15,000,000	15,000,000
Warrants outstanding	4,000,000	4,000,000
Fully diluted common shares outstanding	114,002,220	113,982,220

7. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations. The Company's related party transactions are as follows:

(a) The Company rents its office space from Carpenter House, the related party described in note 5, on a month-by-month basis. Rent paid to Carpenter House totaled $3,750 for the three months ended March 31, 2025 (2024 - $3,750).

(b) Advances from related parties are described in note 5.

(c) No compensation was paid to key management personnel for the three months ended March 31, 2025 and 2024.

8. DEVELOPMENT COSTS

Development costs are comprised of the following:

	2025	2024
Materials and supplies	$ 3,974	$ 3,482
Patent fees and costs	3,790	-
Consulting fees	30,000	30,000
	$ 37,764	$ 33,482

9. FINANCE INCOME (LOSS)

Finance income (loss) is comprised of the following:

	2025	2024
Interest	$ 6,091	$ 12,494
Dividends	49,039	-
Realized loss on investments	(6,706)	-
Net change in unrealized losses on investments	(89,415)	-
	$ (40,991)	$ 12,494

(Presented in Canadian Dollars)

10. MANAGEMENT OF CAPITAL

The Company includes the following in its managed capital:

	March 31, 2025	December 31, 2024
Class A share capital	$ 100	$ 100
Class B share capital	6,627,910	6,607,910
Reserves	1,514,000	1,514,000
Deficit	(2,936,807)	(2,687,212)
	$ 5,205,203	$ 5,434,798

The Company's objectives in managing capital are to:

(a) Ensure the Company maintains the minimum level of capital required to effectively operate its business;
(b) Ensure the Company's ability to provide capital growth to its shareholders; and
(c) Maintain a flexible structure that optimizes the cost of capital at acceptable levels of risk.

To maintain its capital structure, the Company keeps all of its assets in very liquid form. The Company's primary sources of capital were proceeds from the issuance of shares. There were no changes in the Company's approach to capital management during the periods presented. The Company are not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

11. FINANCIAL RISK MANAGEMENT

Fair Values

The Company's financial instruments consist of cash, investments, interest receivable, promissory note receivable, accounts payable and accrued liabilities, and advances from related parties. The fair values of these instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures. As at March 31, 2025, the Company has liabilities of $68,112 due within twelve months and has cash and investments of $5,063,442 to meet its current obligations (December 31, 2024 - current liabilities of $216,033 and cash and investments of $5,395,298). Management has judged liquidity risk to be low. There have been no changes to the Company’s liquidity risk management policies since December 31, 2024.

(Presented in Canadian Dollars)

11. FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. Cash and money market investments are the Company's largest exposure to credit risk, and management considers these to be low, due to the high credit ratings of the financial institutions and governments who are the counterparties.

The allowance for doubtful accounts and bad debts expense are $Nil as at and for the periods ended March 31, 2025 and 2024. Management has judged credit risk to be low. There have been no changes to the Company's credit risk management policies since December 31, 2024.

The Company's maximum exposure to credit risk is presented below.

	March 31, 2025	December 31, 2024
Cash and deposits		
Cash	$ 141,172	$ 379,414
Investments	959,954	1,062,604
	1,101,126	1,442,018
Loans and receivables		
Interest receivable	-	2,719
Promissory note receivable	45,000	45,000
Sales taxes recoverable	23,696	59,033
	68,696	106,752
	$ 1,169,822	$ 1,548,770

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. Market risk is comprised of price risk, foreign currency risk, and interest rate risk. The Company is not significantly exposed to foreign currency risk or interest rate risk as it has no variable interest-bearing financial assets or liabilities. The Company's exposure to price risk is described in more detail below.

(Presented in Canadian Dollars)

11. FINANCIAL RISK MANAGEMENT (Continued)

Price Risk

Price risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in stock or bond market prices. The Company is exposed to market price fluctuations on its investments in equities and mutual funds, for which total exposure is $3,962,316 as at March 31, 2025 (2024 - $3,953,280). Price fluctuations on money market investments are not significant. Management has judged price risk to be low. There have been no changes to the Company's price risk management policies since December 31, 2024.

A sensitivity analysis of the impact on net loss and comprehensive loss for changes in the market prices of investments in equities and mutual funds is presented below:

	March 31, 2025	December 31, 2024
Favourable by 4%	$ 158,493	$ 158,131
Favourable by 2%	79,246	79,066
No change	-	-
Unfavourable by 2%	(79,246)	(79,066)
Unfavourable by 4%	(158,493)	(158,131)

12. PROPOSED TRANSACTION

On September 28, 2023, the Company entered into a binding letter agreement with 0755461 B.C. Ltd. ("Shellco") a reporting issuer registered in the Province of British Columbia, pursuant to which the Company will effect an RTO of Shellco (the "Proposed Transaction"). The Proposed Transaction is expected to proceed by way of amalgamation, arrangement, share exchange, take-over bid or other similarly structured transaction whereby a subsidiary of Shellco and the Company will amalgamate, the result of which will be that (i) each Class A share of the Company will be exchanged for one Class A common voting share of Shellco (a "Resulting Issuer Class A Share"); and (ii) each Class B share of the Company (including those issuable or issued pursuant to the Concurrent Financing described below) will be exchanged for one Class B common non-voting share of Shellco (a "Resulting Issuer Class B Share").

As a condition to the completion of the Proposed Transaction, the Company must complete a private placement offering (the "Concurrent Financing") of Class B common non-voting shares or subscription receipts, for aggregate gross proceeds of not less than $1,500,000 upon at a price to be determined by the Company in the context of the market. Upon completion of the Proposed Transaction, Shellco will effect a name change and appoint a new the board of directors determined at the sole discretion of the Company, and the Resulting Issuer will carry on the business of the Company.

Immediately prior to the Proposed Transaction, Shellco will (i) complete a stock consolidation (the "Consolidation") in respect of its issued and outstanding common shares ("Shellco Shares"), on a basis that results in the number of post-Consolidation Shellco Shares being equal to (i) 4,000,000; plus (ii) in the event the price at which securities are issued in the Concurrent Financing is less than $0.50, such additional number of Shellco Shares as shall entail an aggregate value of $2,000,000 based on a deemed price per Shellco Share equal to the price of the securities issued in the Concurrent Financing; and (ii) file articles of amendment to amend its authorized capital to consist of an unlimited number of Resulting Issuer Class A Shares and Resulting Issuer B Class B Shares, and exchange all Shellco Shares for Resulting Issuer Class B Shares on a 1:1 basis.

12. PROPOSED TRANSACTION (Continued)

The completion of the Proposed Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) completion of due diligence and the negotiation and execution of a definitive agreement; (ii) the receipt of all applicable shareholder approvals for the Proposed Transaction and related matters, to the extent as required by applicable law and policies of any applicable stock exchange; (iii) the receipt of all applicable third party approvals including the approval of the Exchange for the listing of the Resulting Issuer Class B Shares thereon; and (iv) the completion of the Concurrent Financing. The Concurrent Financing was completed in December 2024.

In connection with the Proposed Transaction and pursuant to a promissory note, the Company loaned $30,000 to Shellco on March 31, 2024, and loaned a further $15,000 on October 15, 2024 to assist Shellco with its working capital needs. The promissory note is due on demand following the completion of the Proposed Transaction, or the termination of the Proposed Transaction.

13. SUBSEQUENT EVENT

(a) Subsequent to March 31, 2025, the Company issued 40,000 Class B shares at $1.00 per share in a private placement for gross proceeds of $40,000.

0755461 B.C. LTD. (FORMERLY, PRO MINERALS INC.)

Annual Financial Statements

Restated

For the years ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

Stern & Lovrics LLP

Chartered Professional Accountants

Samuel V. Stern, BA, CPA, CA

George G. Lovrics, BComm, CPA, CA

Nazli Dewji, BA, CPA, CMA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of 0755461 B.C. Ltd. (formerly, Pro Minerals Inc.)

Opinion

We have audited the financial statements of 0755461 B.C. Ltd. (formerly, Pro Minerals Inc.) (the "Company"), which comprise the statements of financial position as at April 30, 2024, and 2023 and the statements of income (loss) and comprehensive income (loss), changes in shareholders' deficit and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2024 and 2023, and its financial performance and its cash flows for the years 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 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 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.

Emphasis of Matter – Amended and Restated Financial Statements

Without modifying our opinion, we draw attention to Note 10 to the consolidated financial statements, which explains that the consolidated financial statements for the year ended April 30, 2024 have been restated from those on which we originally reported on July 24, 2024.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our report opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter of the Material uncertainty related to going concern described above, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 in this auditor's report. 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 IFRS, 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 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 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 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 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 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 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 financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is George G. Lovrics.

Stern & Lovrics LLP

Toronto, Ontario
May 7, 2025

Chartered Professional Accountants
Licensed Public Accountants

0755461 B.C. LTD. (FORMERLY, PRO MINERALS INC.)
STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

	Note	April 30, 2024 (Restated) (Note 10)	April 30, 2023
ASSETS			
Cash		**$ 35,378**	$ 378
TOTAL ASSETS		**$ 35,378**	$ 378
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 135,721**	$ 112,158
Advances	5, 7	**90,000**	60,000
		225,721	172,158
Non-current liabilities			
Convertible debentures	3	**49,591**	47,943
Other liabilities	6	**120,542**	120,542
TOTAL LIABILITIES		**395,854**	340,643
SHAREHOLDERS' DEFICIT			
Share capital	4	**4,681,011**	4,681,011
Equity component of convertible debenture	3	**3,293**	3,293
Reserve	4	**1,003,209**	1,003,209
Deficit		**(6,047,989)**	(6,027,778)
TOTAL DEFICIT		**(360,476)**	(340,265)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**$ 35,378**	$ 378

Nature of operations and Going Concern – Note 1

Approved on behalf of the Board of Directors:

"Richard Paolone"
Director

"Jeffrey Paolone"
Director

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

0755461 B.C. LTD. (FORMERLY, PRO MINERALS INC.)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED
(Expressed in Canadian Dollars)

	Note	April 30, 2024	April 30, 2023
Expenses			
Public company fees		**$ (5,000)**	$ 75,916
General and administrative fees		**-**	40,119
Professional fees		**18,563**	143,495
Accretion of equity portion of convertible debt		**1,648**	1,236
Interest		**5,000**	3,750
Net loss and comprehensive loss for the year		**$ (20,211)**	$(264,516)
Loss per share – basic and diluted		**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding – basic and diluted		**148,493,766**	123,065,171

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

0755461 B.C. LTD. (FORMERLY, PRO MINERALS INC.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED APRIL 30 2024 AND 2023
(Expressed in Canadian Dollars)

	Number of shares	Amount	Equity portion of convertible	Reserve	Deficit	Total
Balance at April 30, 2022	73,643,467	$ 4,631,011	$ -	$ 1,003,209	$ (5,763,262)	$ (129,042)
Equity portion of convertible debenture	-	-	3,293	-	-	3,293
Private placement of shares for cash	74,850,299	50,000	-	-	-	50,000
Net loss and comprehensive loss for the year	-	-	-	-	(264,516)	(264,516)
Balance at April 30, 2023	148,493,766	4,681,011	3,293	1,003,209	(6,027,778)	(340,265)
Net income and comprehensive income for the year	-	-	-	-	(20,211)	(20,211)
Balance at April 30, 2024	148,493,766	$ 4,681,011	$3,293	$ 1,003,209	$ (6,047,989)	$ (360,476)

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

0755461 B.C. Ltd. (FORMERLY, PRO MINERALS INC.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
(Expressed in Canadian Dollars)

	April 30, 2024 (Restated) (Note 10)	April 30, 2023
Operating Activities		
Net loss and comprehensive loss for the year	**$ (20,211)**	$ (264,516)
Interest accretion	**1,648**	1,236
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	**23,563**	103,658
Net cash flows used in operating activities	**5,000**	(159,622)
Financing Activities		
Advances	**30,000**	60,000
Proceeds from issue of common shares	**-**	50,000
Proceeds from convertible debt	**-**	50,000
Net cash flows used in operating activities	**30,000**	160,000
Change in cash during the year	**35,000**	378
Cash, beginning of the year	**378**	-
Cash, end of the year	**$ 35,378**	$ 378

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

1. Nature of operations and going concern

0755461 B.C. Ltd. (formerly, Pro Minerals Inc.) (the "Company") was incorporated under the laws of the Province of British Columbia on April 21, 2006. The Company's head office is located at 833 Seymour Street, Suite 3606, Vancouver, BC, V6B 0G4.

The Company was engaged in the acquisition, exploration and development of mineral resources, focusing on projects in Ontario and Quebec up to 2013. The Company was dormant from 2013 to 2022. The Company does not currently own any operating mines or exploration properties. Future operations and the Company's ability to find and negotiate a business opportunity are dependent on the Company's ability to raise sufficient funds through share offerings, debt, or operations to support current and future expenditures.

On March 18, 2015, the securities of the Company were suspended from trading by the NEX board of the TSX Venture Exchange for non-payment of the NEX Listing Maintenance Fee. The Company's securities are not presently listed on any stock exchange. However, the Company's securities are subject to cease trade orders issued by the: (i) Ontario Securities Commission (the "OSC") dated September 24, 2012 (the "Ontario Cease Trade Order"); (ii) Autorité des Marchés Financiers on September 25, 2012 (the "Quebec Cease Trade Order"); (iii) Alberta Securities Commission (the "ASC") on December 6, 2012 (the "AB Cease Trade Order"); and (iv) British Columbia Securities Commission (the "BCSC") dated September 10, 2013 (the "BC Cease Trade Order" and together with the Ontario Cease Trade Order, Quebec Cease Trade Order and AB Cease Trade Order, the "Cease Trade Orders"), for failure to file certain continuous disclosure filings required under applicable securities laws.

Effective April 19, 2022, the Company changed its name from "Pro Minerals Inc." to "0775461 B.C. Ltd."

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at April 30, 2024, the Company has a working capital deficiency of $190,343 (2023 - $171,780), an accumulated deficit of $6,047,989 (2023 - $6,027,778) and has not generated revenue from operations. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations.

The Company will have to raise funds in the future to continue operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

On May 24, 2022, the Company applied to the OSC and BCSC to partially revoke their respective Cease Trade Orders. On September 14, 2022, the BCSC and OSC partially revoked their Cease Trade Orders, and on September 23, 2022, the Company completed a non-brokered private placement for the aggregate gross proceeds of $100,000 (the "**Private Placement**"), consisting of: (i) an offering of 74,850,299 Common Shares at a price of $0.00068 per Common Share for gross proceeds of $50,000; and (ii) an offering of unsecured convertible debentures (the "**Unsecured Debentures**") in the principal amount of $50,000 convertible into Common Shares at a conversion price of $0.000668 per Common Share upon revocation of the Cease Trade Orders, with each Unsecured Debenture issuable in the principal amount of $1,000, bearing interest at an annual rate of 10%, payable in arrears, in equal installments semi-annually, and maturing on the date that is 24 months following the date of issuance.

On January 19, 2023 the BCSC, OSC, Autorité des marchés financiers, and ASC issued orders revoking their cease trade orders, originally issued in respect of the securities of the Company on, respectively, September 10, 2013, September 24, 2012, September 25, 2012, and December 7, 2012.

2. Significant accounting policies

Statement of Compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("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 issue on May 7, 2025 by the Board of Directors of the Company (the "Board").

Basis of Presentation

These financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 2. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

Significant Judgments

The areas which require management to make significant, critical judgments, estimates and assumptions in applying accounting policies in determining carrying values that have the most significant effect on the amounts recognized in the financial statements include, but are not limited, to the following:

a. Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

Significant Estimates

a. Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on the estimated fair value of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and the expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

b. Going concern

Management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to meet its commitments.

c. Convertible debentures

The calculation of convertible debentures and its equity portion and the accretion expenses on convertible debentures requires estimates of the effective interest rate which is based on the Company's incremental borrowing rate for a loan of similar terms but without the conversion feature. Any changes to the estimate can significantly affect the amortized cost of the convertible debenture, equity portion of the convertible debentures and the accretion expenses of the convertible debentures.

Share-based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based payments is charged to the statement of comprehensive loss with a corresponding credit recorded to the reserve account. The fair value of options is determined using the Black–Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

The Company recognizes share issue costs for the fair value of agents' warrants issued as finder's fees in connection with private placements. The fair value calculated is recorded as share issue costs with a corresponding credit to the reserve account. The Company uses the Black-Scholes option pricing model to determine the fair value of the warrants issued.

The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

All equity-settled share-based payments are reflected in the reserve account, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the reserve account is credited to share capital along with the consideration paid.

Financial Instruments

The following table shows the classification of the Company's financial instruments under IFRS 9 – *Financial Instruments*:

Financial assets	
Cash	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Advances	Amortized cost
Convertible debentures	FVTPL

The Company classifies its financial assets in one of the following categories: (1) at fair value through profit or loss ("FVTPL"), (2) at amortized cost or (3) at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired, the business model in which they are managed and their cash flow characteristics. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value, and transaction costs are expensed in the statements of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of profit or loss in the period in which they arise.

Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current or non-current based on their maturity date.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. The Company does not have any financial assets that are classified as FVTOCI at this time.

Impairment of financial assets at amortized cost

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

Derecognition

<u>Financial assets</u>

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

<u>Financial liabilities</u>

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or have expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Fair value hierarchy

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

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The carrying value of accounts payable and accrued liabilities, and advances approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

As at April 30, 2024, the Company recorded convertible debentures at fair value.

Income Taxes

Current income taxes:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes:

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities, and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to the common shares of the Company ("Common Shares") by the weighted average number of Common Shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to Common Shares by the sum of the weighted average number of Common Shares outstanding and all additional Common Shares that would have been outstanding, if potentially dilutive instruments were converted. The dilution is calculated based upon the net number of Common Shares issued should “in the money” options and warrants be exercised, and the proceeds used to repurchase Common Shares at the average market price during the period. For the periods presented, diluted loss per share was equal to basic loss per share as the dilutive effect was anti-dilutive.

(Expressed in Canadian Dollars)

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset. The Common Shares are classified as equity instruments.

Costs directly attributable to the issue of new shares are recognized in equity as a deduction from the proceeds. Costs attributable to the listing of existing shares are expensed as incurred.

Proceeds received on the issuance of units, consisting of Common Shares and share purchase warrants, are allocated to Common Shares.

Nature of provisional liabilities

In accordance with International Accounting Standard (“IAS”) 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for risks and expenses are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists but where the occurrence of the outflow of resources is not probable, or the estimate is not reliable, these contingent liabilities are disclosed in off-balance sheet commitments and litigation. The provisions are measured based on management’s best estimate of the outcome on the basis of facts known at the reporting date.

As at April 30, 2024 and April 30, 2023, the Company did not have any provisions.

IFRS Pronouncements not yet implemented

Certain new IFRS standards and interpretations have been issued but are not shown as they are not expected to have a material impact on the Company’s financial statements.

3. Convertible debenture

On September 23, 2022, the Company issued convertible debt with a face value of $50,000, bearing 10% interest per annum, payable in arrears, maturing based on a two-year term from the date of issuance. The convertible debt was issued for proceeds of $41,592. The equity portion of this debt was valued at $3,293 using the residual method of valuation and will be amortized against the loan balance over the term of the loan.

The debt can be converted to common shares at a price of $0.000668.

The debenture is classified as a long term liability, with the exception of the portion relating to the conversion feature, which is recorded in equity, resulting in the carrying value of the debenture being less than face value.

Proceeds of convertible debenture	$ 50,000
Conversion value in equity	(3,293)
Accretion of conversion value	1,236
Convertible debt at April 30, 2023	47,943
Accretion of conversion value	1,648
Convertible debt at April 30, 2024	$ 49,591

(Expressed in Canadian Dollars)

4. Share Capital

Authorized:

Unlimited Common Shares without par value.

Issued:

	Number of Common Shares	$ Amount	$ Reserve
Common Shares outstanding			
Balance, April 30, 2022	73,643,467	$ 4,631,011	$ 1,003,209
Private placement for cash	74,850,299	50,000	-
Balance, April 30, 2024 and 2023	148,493,766	$ 4,681,011	$ 1,003,209

On September 23, 2022, the Company issued 74,850,299 common shares for proceeds of $50,000.

Reserve:

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

Warrants:

No warrants were issued in the periods ended April 30, 2024 or 2023. No warrants were outstanding at April 30, 2024 or 2023.

Stock options:

The Company follows the policies of the TSX-V under which it is authorized to grant options of up to 20% of its issued and outstanding Common Shares to its officers, directors, employees and consultants. Under the policies, the exercise price of the stock options must equal the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of ten years.

Pursuant to the Company's stock option plan, unless otherwise determined by the directors, stock options will vest at the discretion of the Board.

No stock options were issued in the periods ended April 30, 2024, or 2023. No stock options were outstanding at April 30, 2024 or 2023.

5. Related Party Transactions

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Key management personnel

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive member of the Board and corporate officers.

The Company did not report any remuneration of directors and key management personnel for the years ended April 30, 2024 or April 30, 2023. The Company reported a management fee of $30,000 payable to the Company's Chief Executive Officer for the year ended April 30, 2023. This balance remained outstanding as at April 30, 2024 and 2023.

In the year ended April 30, 2023, a company owned by a significant shareholder advanced $60,000 to the Company. This balance is due on demand and non-interest bearing. The balance was outstanding at April 30, 2024 and 2023.

6. Other Payables

Subsequent to the year ended April 30, 2016, the Company transferred $120,542 of liabilities (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute barred under the *Limitations Act* (British Columbia). The Statute-barred Claims relate to liabilities of third parties. Under IFRS, a financial liability can only be derecognized from the Company's Statement of Financial Position when it is extinguished, meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation, but it does not formally extinguish the financial liability under IFRS.

It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as non-current liabilities as the Company has no intention to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims.

7. Financial Instruments and Risk Management

The Company's financial instruments include cash, accounts payable and accrued liabilities, advances, and convertible debentures.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors its risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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 Company's primary exposure to credit risk is in its cash accounts. This risk is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. As at April 30, 2024, the Company held a small amount of cash.

Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions both liquidity and funding risk have been assessed as high.

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from financing activities and its holdings of cash.

Historically, the Company's sources of funding have been the issuance of equity securities for cash, primarily through private placements and amounts due from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity, or other funding.

(Expressed in Canadian Dollars)

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at April 30, 2024:

	Within one year	**Between one and five years**	**More than five years**
Accounts payable and accruals	$ 135,721	$ -	$ -
Advances	90,000	-	-
Convertible debt	-	50,000	-
Other liabilities	-	-	120,542
	$ 225,721	**$ 50,000**	**$ 120,542**

In the year ended April 30, 2024, a company engaged in a corporate transaction with the Company advanced $30,000 to the Company. This balance is due on demand and non-interest bearing. The balance was outstanding at April 30, 2024.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at April 30, 2023:

	Within one year	**Between one and five years**	**More than five years**
Accounts payable and accruals	$ 112,158	$ -	$ -
Advances	60,000	-	-
Convertible debt	-	50,000	-
Other liabilities	-	-	120,542
	$ 172,158	**$ 50,000**	**$ 120,542**

Interest rate risk

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 Company's loan payable and due to related parties are not exposed to any significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to material currency risk as its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

8. Capital management

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

(Expressed in Canadian Dollars)

The Company considers its capital to be total shareholders' deficiency, comprising Common Shares, reserves and deficit which at April 30, 2024 totaled a deficiency of $360,476 (April 30, 2023 – deficiency of $340,265).

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

9. Deferred Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	April 30, 2024	**April 30, 2023**
Earnings (loss) before income taxes	$ (20,211)	$ (264,516)
Statutory tax rate	26.5%	26.5%
Expected income tax	(5,000)	(70,000)
Accretion	420	330
Change in unrecognized deferred income tax assets	4,580	69,670
Deferred income tax recovery	**$ -**	**$ -**

The Company has the following significant components of the deferred income tax asset:

	April 30, 2024	**April 30, 2023**
Non-capital and net operating losses	$ 672,500	$ 667,500
Equipment	16,500	16,500
Exploration assets	554,000	554,000
	1,243,000	1,238,000
Unrecognized deferred income tax asset	(1,243,000)	(1,238,000)
Net deferred tax assets	**$ -**	**$ -**

Deferred tax asset has not been recognized as it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at April 30, 2024, the approximate non-capital losses which may reduce taxable income in future years expire as follows:

2029	$ 112,000
2030	650,000
2031	816,000
2032	632,500
2033	45,000
2043	263,000
2044	18,500
	$ 2,537,000

10. Restatement

These financial statements have been restated to reflect additional loans of $30,000 as disclosed in Note 7. The proceeds from the loans were held in cash at April 30, 2024.

A summary of the affect of the restatement is as follows:

Consolidated Statement of Financial Position as at April 30, 2024
- Increase in cash of $30,000
- Increase in advances of $30,000

Consolidated Statement of Operations and Comprehensive Loss for the year ended April 30, 2024
- No changes

Consolidated Statement of Changes in Equity for the year ended April 30, 2024
- No changes

Consolidated Statement of Cash Flows for the year ended April 30, 2024
- Increase in advances of $30,000
- Increase in cash flows from financing activities of $30,000

As a result of restating these consolidated financial statements, certain notes were updated related to these changes. Subsequent events disclosures (Note 11) have been updated to the date of approval of these restated consolidated financial statements, being May 7, 2025**.**

11. Subsequent Events

Private Placement
On March 12, 2025, the Company completed a private placement for aggregate gross proceeds of $7,500 through the issuance of 11,227,545 Common Shares at a price of $0.000668 per Common Share.

Proposed Transaction
The Company has entered into a binding letter agreement with Kleen HY-DRO-GEN Inc. ("**Kleen**") pursuant to which Kleen will effect a reverse take-over (**"RTO"**) of the Company. The conditions of the RTO are contingent on several conditions, including a financing of not less than $1,500,000.

0755461 B.C. LTD. (FORMERLY, PRO MINERALS INC.)

INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

JANUARY 31, 2025

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

The Company is re-filing the financial statements for the nine months ended January 31, 2025, which were originally filed on SEDAR+ on April 1, 2025 and amended on April 24, 2025 and May 7, 2025, to revise certain numerical amounts. Other than the aforementioned changes, the re-filed unaudited interim financial statements of the Company for the period ended January 31, 2025, as set forth below, do not contain any other changes.

0755461 B.C. LTD. (FORMERLY, PRO MINERALS INC.)

INTERIM STATEMENTS OF FINANCIAL POSITION

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

AS AT

	Note	January 31, 2025 (Restated) (Note 10)	April 30, 2024 (Restated) (Note 10)
ASSETS			
Cash		**$ 15,000**	$ 35,378
TOTAL ASSETS		**$ 15,000**	$ 35,378
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 133,022**	$ 135,721
Advances	5, 7	**95,560**	90,000
Convertible debentures	3	**50,000**	-
		278,582	225,721
Non-current liabilities			
Convertible debentures	3	**-**	49,591
Other liabilities	6	**120,542**	120,542
TOTAL LIABILITIES		**399,124**	395,854
SHAREHOLDERS' DEFICIT			
Share capital	4	**4,681,011**	4,681,011
Equity component of convertible debenture	3	**3,293**	3,293
Reserve	4	**1,003,209**	1,003,209
Deficit		**(6,071,637)**	(6,047,989)
TOTAL DEFICIT		**(384,124)**	(360,476)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**$ 15,000**	$ 35,378

Nature of operations and Going Concern – Note 1

Approved on behalf of the Board of Directors:

"Richard Paolone"
Director

"Jeffrey Paolone"
Director

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

0755461 B.C. LTD. (FORMERLY, PRO MINERALS INC.)

INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

	Three months ended		Nine months ended	
	Jan. 31, 2025	**Jan. 31, 2024**	**Jan. 31, 2025 (Restated) (Note 10)**	**Jan. 31, 2024**
Expenses				
Public company fees	**$ -**	$ -	**$ 7,559**	$ (5,000)
Professional fees	**3 250**	2,345	**11,930**	14,643
Accretion of equity portion of convertible debt	**-**	412	**409**	1,236
Interest	**1,250**	1,250	**3,750**	3,750
Net income (loss) and comprehensive income (loss) for the period	**$ (4,500)**	$ (4,007)	**$ (23,648)**	$ (14,629)
Income (loss) per share – basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding – basic and diluted	**148,493,766**	148,493,766	**148,493,766**	148,493,766

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

0755461 B.C. LTD. (FORMERLY, PRO MINERALS INC.)

INTERIM STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

FOR THE PERIODS ENDED JANUARY 31, 2025 AND 2024

	Number of shares	Amount	Equity portion of convertible	Reserve	Deficit (Restated) (Note 10)	Total (Restated) (Note 10)
Balance at April 30, 2023	148,493,766	$ 4,681,011	$ 3,293	$ 1,003,209	$ (6,027,778)	$ (340,265)
Net income (loss) and comprehensive income (loss) for the period	-	-	-	-	(14,629)	(14,629)
Balance at January 31, 2024	148,493,766	$ 4,681,011	3,293	1,003,209	(6,042,407)	(354,894)
Net income (loss) and comprehensive income (loss) for the period	-	-	-	-	(5,582)	(5,582)
Balance at April 30, 2024	148,493,766	$ 4,681,011	3,293	1,003,209	(6,047,989)	(360,476)
Net income (loss) and comprehensive income (loss) for the	-	-	-	-	(23,648)	(23,648)
Balance at January 31, 2025	148,493,766	$ 4,681,011	$3,293	$ 1,003,209	$ (6,071,637)	$ (384,124)

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

0755461 B.C. Ltd. (FORMERLY, PRO MINERALS INC.)

INTERIM STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

FOR THE NINE MONTHS ENDED

	January 31, 2025 (Restated) (Note 10)	January 31, 2024
Operating Activities		
Net loss and comprehensive loss for the period	**$ (23,648)**	$ (14,629)
Interest accretion	**409**	1,236
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	**(2,699)**	18,393
Net cash flows used in operating activities	**(25,938)**	5,000
Financing Activities		
Advances	**15,000**	-
Repayment of advances	**(9,440)**	-
Proceeds from convertible debt	**-**	-
Net cash flows used in operating activities	**5,560**	-
Change in cash during the period	**(20,378)**	5,000
Cash, beginning of the year	**35,378**	378
Cash, end of the period	**$ 15,000**	$ 5,378

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

1. Nature of operations and going concern

0755461 B.C. Ltd. (formerly, Pro Minerals Inc.) (the "Company") was incorporated under the laws of the Province of British Columbia on April 21, 2006. The Company's head office is located at 833 Seymour Street, Suite 3606, Vancouver, BC, V6B 0G4.

The Company was engaged in the acquisition, exploration and development of mineral resources, focusing on projects in Ontario and Quebec up to 2013. The Company was dormant from 2013 to 2022. The Company does not currently own any operating mines or exploration properties. Future operations and the Company's ability to find and negotiate a business opportunity are dependent on the Company's ability to raise sufficient funds through share offerings, debt, or operations to support current and future expenditures.

On March 18, 2015, the securities of the Company were suspended from trading by the NEX board of the TSX Venture Exchange for non-payment of the NEX Listing Maintenance Fee. The Company's securities are not presently listed on any stock exchange. However, the Company's securities are subject to cease trade orders issued by the: (i) Ontario Securities Commission (the "OSC") dated September 24, 2012 (the "Ontario Cease Trade Order"); (ii) Autorité des Marchés Financiers on September 25, 2012 (the "Quebec Cease Trade Order"); (iii) Alberta Securities Commission (the "ASC") on December 6, 2012 (the "AB Cease Trade Order"); and (iv) British Columbia Securities Commission (the "BCSC") dated September 10, 2013 (the "BC Cease Trade Order" and together with the Ontario Cease Trade Order, Quebec Cease Trade Order and AB Cease Trade Order, the "Cease Trade Orders"), for failure to file certain continuous disclosure filings required under applicable securities laws.

Effective April 19, 2022, the Company changed its name from "Pro Minerals Inc." to "0775461 B.C. Ltd."

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at January 31, 2025, the Company has a working capital deficiency of $263,582 (April 30, 2024 - $190,343), an accumulated deficit of $6,071,637 (April 30, 2024 - $6,047,989) and has not generated revenue from operations. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations.

The Company will have to raise funds in the future to continue operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

On May 24, 2022, the Company applied to the OSC and BCSC to partially revoke their respective Cease Trade Orders. On September 14, 2022, the BCSC and OSC partially revoked their Cease Trade Orders, and on September 23, 2022, the Company completed a non-brokered private placement for the aggregate gross proceeds of $100,000 (the "**Private Placement**"), consisting of: (i) an offering of 74,850,299 Common Shares at a price of $0.00068 per Common Share for gross proceeds of $50,000; and (ii) an offering of unsecured convertible debentures (the "**Unsecured Debentures**") in the principal amount of $50,000 convertible into Common Shares at a conversion price of $0.000668 per Common Share upon revocation of the Cease Trade Orders, with each Unsecured Debenture issuable in the principal amount of $1,000, bearing interest at an annual rate of 10%, payable in arrears, in equal installments semi-annually, and maturing on the date that is 24 months following the date of issuance.

On January 19, 2023 the BCSC, OSC, Autorité des marchés financiers, and ASC issued orders revoking their cease trade orders, originally issued in respect of the securities of the Company on, respectively, September 10, 2013, September 24, 2012, September 25, 2012, and December 7, 2012.

2. Material accounting policies

Statement of Compliance with International Financial Reporting Standards

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited interim consolidated financial statements are based on IFRS issued and outstanding as of May 7, 2025, the date the board of directors of the Company (the "Board") approved these statements. The same accounting policies and methods of computation are followed in these interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended April 30, 2024. Any subsequent changes to IFRS that are effective after the Company's annual financial statements for the year ending April 30, 2025 could result in the restatement of these interim financial statements.

Basis of Presentation

These financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 2. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

Significant Judgments

The areas which require management to make significant, critical judgments, estimates and assumptions in applying accounting policies in determining carrying values that have the most significant effect on the amounts recognized in the financial statements include, but are not limited, to the following:

a. Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

Significant Estimates

a. Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on the estimated fair value of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and the expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

b. Going concern

Management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to meet its commitments.

c. Convertible debentures

The calculation of convertible debentures and its equity portion and the accretion expenses on convertible debentures requires estimates of the effective interest rate which is based on the Company's incremental borrowing rate for a loan of similar terms but without the conversion feature. Any changes to the estimate can significantly affect the amortized cost of the convertible debenture, equity portion of the convertible debentures and the accretion expenses of the convertible debentures.

Share-based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based payments is charged to the statement of comprehensive loss with a corresponding credit recorded to the reserve account. The fair value of options is determined using the Black–Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

The Company recognizes share issue costs for the fair value of agents' warrants issued as finder's fees in connection with private placements. The fair value calculated is recorded as share issue costs with a corresponding credit to the reserve account. The Company uses the Black-Scholes option pricing model to determine the fair value of the warrants issued.

The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

All equity-settled share-based payments are reflected in the reserve account, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the reserve account is credited to share capital along with the consideration paid.

Financial Instruments

The following table shows the classification of the Company's financial instruments under IFRS 9 – *Financial Instruments*:

Financial assets	
Cash	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Advances	Amortized cost
Convertible debentures	FVTPL

The Company classifies its financial assets in one of the following categories: (1) at fair value through profit or loss (“FVTPL”), (2) at amortized cost or (3) at fair value through other comprehensive income (“FVTOCI”). The classification depends on the purpose for which the financial assets were acquired, the business model in which they are managed and their cash flow characteristics. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value, and transaction costs are expensed in the statements of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of profit or loss in the period in which they arise.

Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current or non-current based on their maturity date.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. The Company does not have any financial assets that are classified as FVTOCI at this time.

Impairment of financial assets at amortized cost

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

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or have expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Fair value hierarchy

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

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The carrying value of accounts payable and accrued liabilities, and advances approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

As at January 31, 2025, the Company recorded convertible debentures at fair value.

Income Taxes

Current income taxes:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes:

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities, and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to the common shares of the Company (“Common Shares”) by the weighted average number of Common Shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to Common Shares by the sum of the weighted average number of Common Shares outstanding and all additional Common Shares that would have been outstanding, if potentially dilutive instruments were converted. The dilution is calculated based upon the net number of Common Shares issued should “in the money” options and warrants be exercised, and the proceeds used to repurchase Common Shares at the average market price during the period. For the periods presented, diluted loss per share was equal to basic loss per share as the dilutive effect was anti-dilutive.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset. The Common Shares are classified as equity instruments.

Costs directly attributable to the issue of new shares are recognized in equity as a deduction from the proceeds. Costs attributable to the listing of existing shares are expensed as incurred.

Proceeds received on the issuance of units, consisting of Common Shares and share purchase warrants, are allocated to Common Shares.

Nature of provisional liabilities

In accordance with International Accounting Standard (“IAS”) 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for risks and expenses are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists but where the occurrence of the outflow of resources is not probable, or the estimate is not reliable, these contingent liabilities are disclosed in off-balance sheet commitments and litigation. The provisions are measured based on management’s best estimate of the outcome on the basis of facts known at the reporting date.

As at January 31, 2025 and April 30, 2024, the Company did not have any provisions.

IFRS Pronouncements not yet implemented

Certain new IFRS standards and interpretations have been issued but are not shown as they are not expected to have a material impact on the Company’s financial statements.

3. Convertible debenture

On September 23, 2022, the Company issued convertible debt with a face value of $50,000, bearing 10% interest per annum, payable in arrears, maturing based on a two-year term from the date of issuance. The convertible debt was issued for proceeds of $41,592. The equity portion of this debt was valued at $3,293 using the residual method of valuation and will be amortized against the loan balance over the term of the loan.

The debt can be converted to common shares at a price of $0.000668.

The debenture is classified as a long term liability, with the exception of the portion relating to the conversion feature, which is recorded in equity, resulting in the carrying value of the debenture being less than face value.

(Expressed in Canadian Dollars - Unaudited)

Proceeds of convertible debenture	$ 50,000
Conversion value in equity	(3,293)
Accretion of conversion value	1,236
Convertible debt at April 30, 2023	47,943
Accretion of conversion value	1,648
Convertible debt at April 30, 2024	49,591
Accretion of conversion value	409
Convertible debt at January 31, 2025	$ 50,000

4. **Share Capital**

Authorized:

Unlimited Common Shares without par value.

Issued:

	Number of Common Shares	***$ Amount***	***$ Reserve***
Common Shares outstanding Balance, April 30, 2022	73,643,467	$ 4,631,011	$ 1,003,209
Private placement for cash	74,850,299	50,000	-
Balance, January 31, 2025 and April 30, 2024	148,493,766	$ 4,681,011	$ 1,003,209

On September 23, 2022, the Company issued 74,850,299 common shares for proceeds of $50,000.

Reserve:

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

Warrants:

No warrants were issued in the periods ended January 31, 2025 and April 30, 2024. No warrants were outstanding at January 31, 2025 and April 30, 2024.

Stock options:

The Company follows the policies of the TSX-V under which it is authorized to grant options of up to 20% of its issued and outstanding Common Shares to its officers, directors, employees and consultants. Under the policies, the exercise price of the stock options must equal the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of ten years.

Pursuant to the Company's stock option plan, unless otherwise determined by the directors, stock options will vest at the discretion of the Board.

No stock options were issued in the periods ended January 31, 2025 and April 30, 2024. No stock options were outstanding at January 31, 2025 and April 30, 2024.

5. **Related Party Transactions**

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Key management personnel

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive member of the Board and corporate officers.

The Company did not report any remuneration of directors and key management personnel for the period ended January 31, 2025 or the year ended April 30, 2024. The Company reported a management fee of $30,000 payable to the Company's Chief Executive Officer for the year ended April 30, 2023. This balance remained outstanding as at January 31, 2025 and April 30, 2024.

In the year ended April 30, 2023, a company owned by a significant shareholder advanced $60,000 to the Company. These balances are due on demand and non-interest bearing. During the period ended January 31, 2025, the Company repaid $9,440 of the advance. The balance outstanding at January 31, 2025 was $50,560 and April 30, 2024 it was $60,000.

6. Other Payables

Subsequent to the year ended April 30, 2016, the Company transferred $120,542 of liabilities (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute barred under the *Limitations Act* (British Columbia). The Statute-barred Claims relate to liabilities of third parties. Under IFRS, a financial liability can only be derecognized from the Company's Statement of Financial Position when it is extinguished, meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation, but it does not formally extinguish the financial liability under IFRS.

It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as non-current liabilities as the Company has no intention to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims.

7. Financial Instruments and Risk Management

The Company's financial instruments include cash, accounts payable and accrued liabilities, advances, and convertible debentures.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors its risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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 Company's primary exposure to credit risk is in its cash accounts. This risk is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. As at January 31, 2025, the Company held a small amount of cash.

Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

(Expressed in Canadian Dollars - Unaudited)

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions both liquidity and funding risk have been assessed as high.

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from financing activities and its holdings of cash.

Historically, the Company's sources of funding have been the issuance of equity securities for cash, primarily through private placements and amounts due from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity, or other funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at January 31, 2025:

	Within one year	Between one and five years	More than five years
Accounts payable and accruals	$ 133,022	$ -	$ -
Advances	95,560	-	-
Convertible debt	50,000	-	-
Other liabilities	-	-	120,542
	$ 278,582	**$ -**	**$ 120,542**

In the period ended January 31, 2025, a company engaged in a corporate transaction with the Company advanced a further $15,000 to the Company, for a total advanced of $45,000.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at April 30, 2024:

	Within one year	Between one and five years	More than five years
Accounts payable and accruals	$ 135,721	$ -	$ -
Advances	90,000	-	-
Convertible debt	-	50,000	-
Other liabilities	-	-	120,542
	$ 225,721	**$ 50,000**	**$ 120,542**

In the period ended April 30, 2024, a company engaged in a corporate transaction with the Company advanced $30,000 to the Company. The $30,000 balance was outstanding at April 30, 2024.

Interest rate risk

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 Company's loan payable and due to related parties are not exposed to any significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company is not exposed to material currency risk as its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

8. Capital management

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

The Company considers its capital to be total shareholders' deficiency, comprising Common Shares, reserves and deficit which at January 31, 2025 totaled a deficiency of $384,124 (April 30, 2024 – deficiency of $360,476).

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

9. Deferred Income Taxes

This note has not been updated for the 2025 fiscal year.

10. Restatement

These financial statements have been restated to reflect additional loans of $30,000 as disclosed in Note 7. The proceeds from the loans were held in cash at April 30, 2024. The proceeds were used in the July 2024 quarter to settle accounts payable ($9,410), settle advances ($9,440), and pay operating expenses ($11,150).

Consolidated Statement of Financial Position as at April 30, 2024
- Increase in cash of $30,000
- Increase in advances of $30,000

Consolidated Statement of Financial Position as at January 31, 2025
- Reduction in accounts payable of $9,410
- Reduction in advances of $9,440
- Increase in deficit of $11,150

Consolidated Statement of Operations and Comprehensive Loss for the year ended April 30, 2024
- No changes

Consolidated Statement of Operations and Comprehensive Loss for the period ended January 31, 2025
- Operating expenses increased $11,150.

Consolidated Statement of Changes in Equity for the year ended April 30, 2024
- No changes

Consolidated Statement of Changes in Equity for the period ended January 31, 2025
- Increase in Net income (loss) and comprehensive income (loss) for the period of $11,150

Consolidated Statement of Cash Flows for the year ended April 30, 2024

- Increase in advances of $30,000
- Increase in cash flows from financing activities of $30,000

Consolidated Statement of Cash Flows for the period ended January 31, 2025

- Increase in Net loss and comprehensive loss for the period of $11,150
- Decrease in accounts payable of $9,410
- Decrease in advances of $9,440
- Increase in opening cash of $30,000

As a result of restating these consolidated financial statements, certain notes were updated related to these changes. Subsequent events disclosures (Note 11) have been updated to the date of approval of these restated consolidated financial statements, being May 7, 2025**.**

11. Subsequent Events

Private Placement
On March 12, 2025, the Company completed a private placement for aggregate gross proceeds of $7,500 through the issuance of 11,227,545 Common Shares at a price of $0.000668 per Common Share.

Proposed Transaction
The Company has entered into a binding letter agreement with Kleen HY-DRO-GEN Inc. ("**Kleen**") pursuant to which Kleen will effect a reverse take-over (**“RTO”**) of the Company. The conditions of the RTO are contingent on several conditions, including a financing of not less than $1,500,000.

Kleen Hy-Dro-Gen Inc.

Pro Forma Consolidated Financial Statements
As at March 31, 2025
(Unaudited - prepared in Canadian dollars)

Contents

KLEEN HY-DRO-GEN INC.
Pro Forma Consolidated Statement of Financial Position
As at March 31, 2025
(Unaudited - Prepared in Canadian dollars)

Assets	**Kleen**	**075 BC**	**Pro Forma Adjustments and Elimination Entries**	**Notes**	**Pro Forma Consolidated**
Current					
Cash	141,172	15,000	7,500	4 (a)	181,172
			40,000	4 (a)	
			(22,500)	4 (d)	
Investments	4,922,270	-	-		4,922,270
Promissory note receivable	45,000	-	(45,000)	4 (g)	-
Supplies	36,000	-	-		36,000
Sales taxes recoverable	23,696	-	-		23,696
	5,168,138	15,000	(20,000)		5,163,138
Non-current					
Property and equipment	105,177	-	-		105,177
	5,273,315	15,000	(20,000)		5,268,315
Liabilities and Equity					
Current					
Accounts payable and accrued liabilities	68,112	133,022	(5,930)	4 (c)	218,112
			(127,092)	4 (d)	
			150,000	4 (e)	
Advances	-	95,560	(50,560)	4 (d)	-
			(45,000)	4 (g)	
Convertible debentures	-	50,000	5,930	4 (c)	-
			(55,930)	4 (c)	
	68,112	278,582	(128,582)		218,112
Non-current					
Other liabilities	-	120,542	-		120,542
	-	120,542	-		120,542
Equity					
Class A share capital	100	-	-		100
Class B share capital	6,627,910	4,681,011	7,500	4 (a)	10,667,910
			40,000	4 (a)	
			900,000	4 (b)	
			211,082	4 (d)	
			(5,799,593)	4 (f)	
			4,000,000	3	
Reserves	1,514,000	1,006,502	(1,006,502)	4 (f)	1,514,000
Deficit	(2,936,807)	(6,071,637)	(900,000)	4 (b)	(7,252,349)
			6,971,637	4 (f)	
			(4,165,542)	3	
			(150,000)	4 (e)	
	5,205,203	(384,124)	108,582		4,929,661
	5,273,315	15,000	(20,000)		5,268,315

See accompanying notes to the pro forma consolidated financial statements

KLEEN HY-DRO-GEN INC.
Pro Forma Consolidated Statement of Comprehensive Loss
Three Months Ended March 31, 2025
(Unaudited - Prepared in Canadian dollars)

	Kleen	075 BC	Pro Forma Adjustments and Elimination Entries	Notes	Pro Forma Consolidated
Expenses					
Advertising and promotion	74,190	-	-		74,190
Professional fees	58,473	3,250	150,000	4 (e)	211,723
Development costs	37,764	-	-		37,764
Office expenses	26,823	-	-		26,823
Rental	3,750	-	-		3,750
Amortization	7,604	-	-		7,604
Interest	-	1,250	-		1,250
Listing expense	-	-	4,165,542	3	4,165,542
	208,604	4,500	4,315,542		4,528,646
Loss from Operations	(208,604)	(4,500)	(4,315,542)		(4,528,646)
Finance income (loss)	(40,991)	-	-		(40,991)
Net Loss and Comprehensive Loss	(249,595)	(4,500)	(4,315,542)		(4,569,637)

See accompanying notes to the pro forma consolidated financial statements

KLEEN HY-DRO-GEN INC.
Pro Forma Consolidated Statement of Comprehensive Loss
Year Ended December 31, 2024
(Unaudited - Prepared in Canadian dollars)

	Kleen	075 BC	Pro Forma Adjustments and Elimination Entries	Notes	Pro Forma Consolidated
Expenses					
Professional fees	84,038	11,930	3,920	4 (j)	99,888
Development costs	245,765	-	-		245,765
Office expenses	22,870	-	-		22,870
Rental	15,000	-	-		15,000
Amortization	34,504	-	-		34,504
Public company fees	-	7,559	-		7,559
Accretion on convertible debt	-	409	412	4 (j)	821
Interest	-	3,750	1,250	4 (j)	5,000
	402,177	23,648	5,582		431,407
Loss from Operations	(402,177)	(23,648)	(5,582)		(431,407)
Finance income (loss)	1,586	-	-		1,586
Net Loss and Comprehensive Loss	(400,591)	(23,648)	(5,582)		(429,821)

See accompanying notes to the pro forma consolidated financial statements

1. Basis of preparation:

The unaudited pro forma consolidated financial statements has been prepared by management of Kleen Hy-Dro-Gen Inc. ("Kleen") for inclusion in the Listing Statement of 0755461 B.C. Ltd. ("075 BC") dated June 18, 2025 after giving effect to the combination of 075 BC and Kleen (the "Transaction") and the related transactions described in Note 2 below.

The pro forma consolidated statement of financial position as at March 31, 2025 has been compiled from the following:

- the interim statement of financial position of Kleen as at March 31, 2025; and
- the restated interim statement of financial position of 075 BC as at January 31, 2025.

The pro forma consolidated statement of comprehensive loss for the three months ended March 31, 2025 has been compiled from the following:

- the interim statement of comprehensive loss of Kleen for the three months ended March 31, 2025; and
- the restated interim statement of comprehensive loss of 075 BC for the three months January 31, 2025.

The pro forma consolidated statement of comprehensive loss for the year ended December 31, 2024 has been compiled from the following:

- the audited statement of comprehensive loss of Kleen for the year ended December 31, 2024;
- the restated interim statement of comprehensive loss of 075 BC for the nine months ended January 31, 2025; and
- the audited statement of comprehensive loss of 075 BC for the year ended April 30, 2024, for purposes of determining the adjustments described in Note 4 (j).

These pro forma financial statements should be read in conjunction with the financial statements of 075 BC and Kleen for the applicable periods noted, including the notes thereto and the related Listing Statement of June 18, 2025 filed with the Canadian Securities Exchange ("CSE"). Accounting policies used in the preparation of the pro forma financial statements are in accordance with those disclosed in the audited financial statements of the companies mentioned above which were all prepared in accordance with International Financial Reporting Standards ("IFRS").

1. Basis of preparation (continued):

In the opinion of the management of Kleen, these unaudited pro forma consolidated financial statements include all adjustments necessary for a fair presentation of the Transaction described in Note 2 below. The unaudited pro forma consolidated financial statements are not necessarily indicative of the results that actually would have been achieved if the transactions reflected therein had been completed on the dates indicated or the results which may be obtained in the future. In preparing the unaudited pro forma consolidated financial statements, no adjustments have been made to reflect transactions which have occurred since the dates indicated, other than those impacting share capital. Furthermore, the pro forma financial statements is not necessarily indicative of the financial position and results that may be achieved in the future. The pro forma consolidated financial statements give effect to the proposed Transaction described above as if it occurred on March 31, 2025.

2. Transaction:

075 BC has proposed an acquisition of Kleen to be completed under a plan of acquisition by amalgamating Kleen with 075 BC. Under the proposed amalgamation, existing Class B common non-voting shares ("Class B shares") of Kleen would be exchanged for common shares of 075 BC on the basis of one 075 BC common share for every one Kleen Class B share.

Prior to the proposed amalgamation, 075 BC will settle all liabilities and debts in cash or by issuing common shares, and will consolidate its issued and outstanding common shares to the fixed number of 4,000,000 common shares.

075 BC will amend its articles of incorporation to create two classes of common shares, being Class A common voting shares and Class B shares to mirror the authorized share classes of Kleen.

075 BC has agreed to issue stock options and warrants to replace the existing Kleen stock options and warrants on identical terms.

The resulting issuer will change its name to "Kleen Hy-Dro-Gen Inc.", or such other name as the parties may agree. The acquisition by 075 BC of Kleen is subject to regulatory and shareholder approvals of both companies.

(Unaudited – Prepared in Canadian dollars)

3. Reverse takeover:

The Transaction has been accounted for in accordance with IFRS 2, *Share-based payments*. The Transaction is considered to be a reverse takeover of 075 BC by Kleen. A reverse takeover transaction involving a non-public operating entity and a non-operating reporting issuer is in substance a share-based transaction rather than a business combination. The Transaction is equivalent to the issuance of common shares by the non-public operating entity, Kleen, for the net assets and the reporting issuer status of the non-operating company, 075 BC. The fair value of the common shares issued was determined based on the fair value of the common shares issued by 075 BC. For financial reporting purposes, the Company is considered a continuation of Kleen, the legal subsidiary, except with regard to authorized and issued share capital, which is that of 075 BC, the legal parent.

Purchase Price	
Number of Class B common shares issuable	**4,000,000**
Assumed fair value of Class B common shares	**$1.00**
Total purchase price	**$4,000,000**
Net Assets Acquired	
Cash	**0**
Promissory note payable	**(45,000)**
Other liabilities	**(120,542)**
Net assets acquired	**(165,542)**
Listing expense	**$4,165,542**

The excess of the purchase price over the fair value of net assets acquired is considered an expense of becoming a public company and as a result the listing expense is $4,165,542. As stated in note 1, these consolidated financial statements accompany a Listing Statement filed with the CSE as of June 18, 2025.

The fair value of the net assets of 075 BC deemed to be acquired will ultimately be determined at the date of closing of the Transaction and the actual costs of acquisition may vary from those estimates. Therefore, the allocation of the consideration among the assets and liabilities of 075 BC may vary from those shown above and such differences may be material.

4. Pro forma assumptions and adjustments:

These unaudited pro forma consolidated financial statements gives effect to the following assumptions and adjustments as if they had occurred on March 31, 2025.

The following adjustments were made with respect to the pro forma consolidated financial statements:

(a) Prior to the amalgamation, Kleen and 075 BC have completed financings as follows:

1. 075 BC issued 11,227,545 common shares at $0.000668 per share for gross proceeds of $7,500.

2. Kleen issued 40,000 Class B shares at $1.00 per share for gross proceeds of $40,000.

(b) Prior to the amalgamation, 075 BC will issue 900,000 common shares as a finder's fee.

(c) Prior to the amalgamation, 075 BC will issue 2,809,447 common shares at a conversion price of $0.01990795 in satisfaction of convertible debentures in the aggregate amount of $55,930. Accrued interest of $5,930 has been reclassified from accounts payable to convertible debentures.

(d) Prior to the amalgamation, 075 BC will spend its remaining cash of $22,500 and issue 130,000 common shares in satisfaction of accounts payable of $127,092 and advances of $50,560.

(e) The accrual of $150,000 legal fees to complete the RTO.

(f) Book values of 075 BC's equity, which is comprised of share capital, reserves, and deficit, are eliminated upon closing.

(g) Intercompany loans are eliminated upon consolidation.

(h) The tax provision does not take into account the tax consequences of the amalgamation and is therefore the same as the provision when the companies were accounted for as separate entities. The pro forma effective statutory income tax rate of the combined companies will be 26.5%.

(i) For purposes of the pro forma consolidated statement of comprehensive loss for the three months ended March 31, 2025, the expenses incurred by 075 BC for the three months ended January 31, 2025 are assumed to be equal to those expenses incurred for the three months ended March 31, 2025.

(Unaudited – Prepared in Canadian dollars)

4. Pro forma assumptions and adjustments (continued):

(j) For purposes of the pro forma consolidated statement of comprehensive loss for the year ended December 31, 2024, the expenses incurred by 075 BC for the three months ended April 30, 2024 have been extrapolated from the audited financial statements of 075 BC for the year ended April 30, 2024.

It is further assumed that the one-month difference between the January 31 period-end of 075 BC and the December 31 year-end utilized in this pro forma financial statement is not material.

The unaudited pro forma consolidated financial statements incorporate pro forma assumptions as follows:

(i) Completion of the transactions contemplated in the definitive agreement between 075 BC and Kleen dated September 28, 2023;

(ii) Exchange of each of the issued and outstanding shares of Kleen for shares of 075 BC;

(iii) Implementation by the directors of 075 BC of the consolidation of 075 BC common shares on the basis of 1 new common share for every 994.8203431 existing common shares; and

(iv) Approval of the Transaction by regulatory authorities and shareholders of 075 BC and Kleen.

5. Pro forma share capital:

The following table summarizes the pro forma share capital:

	Number of shares	Amount
Common Shares:		
075 BC shares, balance at January 31, 2025	148,493,766	4,681,011
075 BC shares issuable in private placement (note 4 (a) (1))	11,227,545	7,500
Common shares before share consolidation	159,721,311	4,688,511
Share consolidation (1:994.8203431)	160,553	-
Shares issuable in satisfaction of finder fees (note 4 (b))	900,000	900,000
Shares issuable in settlement of convertible debenture (note 4 (c))	2,809,447	55,930
Shares issuable in settlement of trade payables (note 4 (d))	130,000	155,152
Common shares prior to amalgamation (note 3)	4,000,000	5,799,593
Elimination of 075 BC share capital upon RTO (4(d))	-	(5,799,593)
Fair value of 075 BC shares assumed (note 3)	-	4,000,000
Shares issued to Kleen shareholders	85,042,220	6,667,910
Balance after giving effect to pro forma adjustments	89,042,220	10,667,910

SCHEDULE "B"
KLEEN MANAGEMENT'S DISCUSSION AND ANALYSIS

KLEEN HY-DRO-GEN INC.

Management's Discussion and Analysis

For the year ended: **December 31, 2023**

Date of report: **January 17, 2025**

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Kleen Hy-Dro-Gen Inc ("Kleen" or the "Company") should be read in conjunction with Kleen's annual audited financial statements and notes thereto as at and for the years ended December 31, 2023 and 2022 (the "Financial Statements").

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise indicated.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's anticipated investment activities and results and financing activities, the Company's future working capital requirements, the ability of the Company to raise capital on a going forward basis, the impact of changes in accounting policies and other factors on the Company's operating results, and the performance of global capital markets and interest rates, the exposure of its financial instruments to various risks and its ability to manage those risks, and the Company's ability to use loss carry-forwards.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Nature of the Business

Kleen Hy-Dro-Gen Inc. was incorporated in the Province of Ontario on November 8, 2017. The Company is domiciled in the Province of Ontario and has its registered office at 1885 Clements Road, Unit 253, Pickering, Ontario L1W 3V4.

The Company is an early stage private green energy research and development company, focused on developing an accessible residential heating solution using hydrogen instead of fossil fuels in applications where high-grade heat is needed and where electrical heating is not the best option. The Company is currently in beta testing of its KleenHeat system which is aimed for the home heating industry. The KleenHeat system is a retrofit system to the current home heating system in homes except it runs on hydrogen instead of fossil fuels.

On September 28, 2023, the Company entered into a binding letter agreement with 0755461 B.C. Ltd. ("Shellco") a reporting issuer registered in the Province of British Columbia, pursuant to which the Company will effect an RTO of Shellco (the "Proposed Transaction"). The Proposed Transaction is expected to proceed by way of amalgamation, arrangement, share exchange, take-over bid or other similarly structured transaction whereby a subsidiary of Shellco and the Company will amalgamate, the result of which will be that (i) each Class A share of the Company will be exchanged for one Class A common voting share of Shellco (a "Resulting Issuer Class A Share"); and (ii) each Class B share of the Company (including those issuable or issued pursuant to the Concurrent Financing described below) will be exchanged for one Class B common non-voting share of Shellco (a "Resulting Issuer Class B Share").

As a condition to the completion of the Proposed Transaction, the Company must complete a private placement offering (the "Concurrent Financing") of Class B shares or subscription receipts, for aggregate gross proceeds of not less than $1,500,000 upon at a price to be determined by the Company in the context of the market. Upon completion of the Proposed Transaction, Shellco will effect a name change and appoint a new the board of directors determined at the sole discretion of the Company, and the Resulting Issuer will carry on the business of the Company.

Immediately prior to the Proposed Transaction, Shellco will (i) complete a stock consolidation (the "Consolidation") in respect of its issued and outstanding common shares ("Shellco Shares"), on a basis that results in the number of post-Consolidation Shellco Shares being equal to (i) 4,000,000; plus (ii) in the event the price at which securities are issued in the Concurrent Financing is less than $0.50, such additional number of Shellco Shares as shall entail an aggregate value of $2,000,000 based on a deemed price per Shellco Share equal to the price of the securities issued in the Concurrent Financing; and (ii) file articles of amendment to amend its authorized capital to consist of an unlimited number of Resulting Issuer Class A Shares and Resulting Issuer B Class B Shares, and exchange all Shellco Shares for Resulting Issuer Class B Shares on a 1:1 basis.

The completion of the Proposed Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) completion of due diligence and the negotiation and execution of a definitive agreement; (ii) the receipt of all applicable shareholder approvals for the Proposed Transaction and related matters, to the extent as required by applicable law and policies of any applicable stock exchange; (iii) the receipt of all applicable third party approvals including the approval of the Exchange for the listing of the Resulting Issuer Class B Shares thereon; and (iv) the completion of the Concurrent Financing.

In connection with the Proposed Transaction and pursuant to a promissory note, the Company loaned $30,000 to Shellco on March 31, 2024, and loaned a further $15,000 on October 15, 2024 to assist Shellco with its working capital needs. The promissory note is due on demand following the completion of the Proposed Transaction, or the termination of the Proposed Transaction.

There is no guarantee the proposed transaction will occur.

Summary

- For the year ended December 31, 2023, the Company had net loss of $424,246 (loss per share of $0.00) as compared to net loss of $361,556 (loss per share of $0.00) for the year ended December 31, 2022.

- As at December 31, 2023, the Company had cash and investments at fair value totalling $1,700,522 as compared to $1,553,269 as at December 31, 2022, a 9% increase.

- In fiscal 2023, the Company raised $ 696,160 in capital by way of private placement offerings of Class B non voting common shares as compared to raising $ 531,750 in fiscal 2022.

- The Company currently is beta testing its KleenHeat hydrogen system in a house in Ajax Ontario owned by the CEO of the Company.

- Subsequent to December 31, 2023, the Company raised additional capital by way of private placement offerings of its Class B common shares raising an additional $ 4,010,000.

Investments

The Company keeps its excess cash in short term interest bearing investments.

Investments are comprised of the following:

	2023	
	Cost	**Fair Value**
Horizon High Interest Savings ETF	$ 1,000,278	$ 1,000,278

Investments are categorized into Level 1 of the fair value hierarchy and are measured based on quoted market prices.

The Company does not have any other financial instruments measured at fair value and there were no transfers between levels of the fair value hierarchy during the years ended December 31, 2023 and 2022.

Selected Annual Information

The Company's selected financial information for its three most recently completed financial years as at and for the years ending December 31, is provided below:

	2023	2022	2021
Interest Income	$20,588	$	$
Operating expenses	444,834	361,556	90,130
Net Loss and comprehensive loss for the year	(424,246)	(361,556)	(90,130)
Loss per common share-basic and diluted	0.00	0.00	0.00

Over the past three years the Company has been developing its KleenHeat hydrogen system and the increase in net loss for each year relates to the increase in development and operating expenses. The Company in fiscal 2023 decided to put its excess working capital in interest bearing instruments and therefore earned interest income of $ 20,588 on those instruments.

As at December 31, 2023, the Company's total assets have increased by $254,098, or 19.7%, since December 31, 2022. The increase in total assets is mainly driven by raising additional capital.

Summary of Quarterly Results

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

	December 31, 2023	Sept 30, 2023	June 30, 2023	March 31, 2023
Interest Income	$10,284	$10,273	$31	$0
Operating expenses	132,364	113,728	111,062	87,680
Net loss and comprehensive loss for the period	(122,080)	(103,455)	(111,031)	(87,680)
Net loss per shares-basic and diluted	$0.00	$0.00	$0.00	$0.00

	December 31, 2022	Sept 30, 2022	June 30, 2022	March 31, 2022
Operating expenses	107,476	89,594	116,709	47,777
Net loss and comprehensive loss for the period	(107,476)	(89,594)	(116,709)	(47,777)
Net loss per share-basic and diluted	$0.00	$0.00	$0.00	$0.00

No dividends were declared by the Company during any of the periods indicated.

Over the past eight quarters, fluctuations in net loss on a quarter-over-quarter basis have been impacted primarily by the amount of development costs being incurred in those periods.

Results of Operations
Three Months Ended December 31, 2023 and 2022:

For the three months ended December 31, 2023, the Company recorded a net loss for the period of $ 122,080 as compared to a net loss of $ 107,476 for the three months ended December 31, 2022.

During the three months ended December 31, 2023, the Company recorded interest income of $ 10,284 as compared to nil for the three months ended December 31, 2022. The increase between the three months ended December 31, 2023 and three months ended December 31, 2022 is due from excess working capital being invested into interest bearing instruments on or around July 2023, where in the prior period the excess working capital was in a chequing account not earning interest.

For the three months ended December 31, 2023 , operating expenses was $132,364 as compared to $ 107,476 for the three months ended December 31, 2022. The increase of $24,888 between the three months ended December 31, 2023 and three months ended December 31, 2022 was primarily due to increased development costs and amortization expense for those periods.

The following is the breakdown of the Company's expenses for the three months ended December 31, 2023 and 2022. Details of the changes follow the table:

		2023	2022
Development costs	(a)	96,967	80,670
Professional fees	(b)	15,106	13,265
Rental	(c)	3,750	3,750
Office expenses	(d)	2,306	5,919
Amortization	(e)	14,235	3,872
		132,364	**107,476**

(a) Development costs represents funds spent on engineering as well as the costs associated with supplies and materials in testing and development of the KleenHeat system. Development costs increased by $16,297 during the three months ended December 31, 2023 compared to the three months ended December 31, 2022 as a result of increased engineering time paid to outside consultants.

(b) Professional fees increased by $1,841 for the three months ended December 31, 2023, as compared to the three months ended December 31, 2022, mainly due to timing of those costs incurred relating to legal costs associated with patent pending applications.

(c) The Company leases office space on a month to month basis from a company controlled by the CEO for $1,250 per month. There has been no change in this arrangement since fiscal 2022.

(d) Office expenses represent expenditures such as telephone, internet, consulting fees and office supplies. Office expenses decreased by $3,613 during the three months ended December 31, 2023 as compared to the three months ended December 31, 2022, due to timing of office supplies purchased. Office expenses are minimal each month since all operations are centered around the development of its KleenHeat system.

(e) Amortization expense of $14,235 for the three months ended December 31, 2023, relates to the Company's leaseholds, furniture and fixtures, equipment and vehicle. The increase in amortization by $10,363 for the three months ended December 31, 2023 as compared to the three months ended December 31, 2022 relates to the increase of capital assets purchased in fiscal 2023 as compared to the capital assets owned in fiscal 2022.

Years Ended December 31, 2023 and 2022

For the year ended December 31, 2023, the Company generated interest income of $20,588 on its excess working capital invested in interest bearing instruments as compared to Nil for the year ended December 31, 2022

For the year ended December 31, 2023, operating expenses were $444,834 (December 31, 2022 $361,556). The increase of $83,278 between the year ended December 31, 2023 and year ended December 31, 2022 was primarily due to increased development costs and amortization of its capital assets.

The following is the breakdown of the Company's expenses for the year ended December 31, 2023 and 2022. Details of the changes follow the table:

		2023	2022
Development costs	(a)	329,164	209,919
Professional fees	(b)	47,150	61,309
Rental	(c)	15,000	15,000
Office expenses	(d)	10,058	59,840
Amortization	(e)	43,462	15,488
		444,834	**361,556**

(a) Development costs increased by $119,245 during the year ended December 31, 2023 compared to the year ended December 31, 2022, mainly as a result of the Company increasing its development timetable and hiring additional engineers on a short term basis.

(b) Professional fees decreased by $14,159 for the year ended December 31, 2023, as compared to the year ended December 31, 2022. Professional fees will vary from period to period depending on the services the Company needs from its professionals. Kleen is the registered applicant and owner for PCT/CA2020/051490 (International Publication No. WO 2021/087603), for a pending patent titled "Process and Apparatus for Combusting Hydrogen". Kleen's PCT application has designated over 120 different countries, including, but not limited to, the USA, Canada, Japan, China, Australia and the European Union. Kleen's PCT application is in good standing.

(c) The Company rents its office space on a month to month basis from a company controlled by the CEO. Monthly rent is $1,250 a month or $15,000 annually. This arrangement has not changed since fiscal 2022.

(d) Office expenses represent expenditures such as telephone, internet, consulting fees and office supplies. Office expenses decreased by $49,782 during the year ended December 31, 2023 as compared to the year ended December 31, 2022, specifically related to reduced consulting fees paid. Consulting fees paid in 2022 related to exploring government grants and loans, and these costs were not incurred in 2023.

(e) The increase in amortization by $27,974 for the year ended December 31, 2023 as compared to the year ended December 31, 2022 relates to the increase of capital assets purchased in fiscal 2023 as compared to the capital assets owned in fiscal 2022. The Company purchased approximately $143,000 of capital assets in fiscal 2023 as compared to Nil for fiscal 2022.

For the year ended December 31, 2023 , the Company recorded a net loss of $ 424,246 (net loss per share-Nil) as compared to a net loss of $361,556 for the year ended December 31, 2022 (Net loss per share $ Nil).

Cash Flows
Year ended December 31, 2023 and 2022

During the year ended December 31, 2023, the Company used net cash of $416,343 from its operating activities (December 31, 2022 – $231,104 used in operating activities). The net cash used in operating activities mainly relate to the net loss of the Company

During the year ended December 31, 2023, the Company generated net cash of $690,926 in financing activities (December 31, 2022 - $377,117 generated from financing activities).

During the year ended December 31, 2023, the Company issued 1,272,320 Class B non voting shares under private placement offerings for proceeds of $696,160 as compared to the issuance of 1,735,900 Class B non voting shares for proceeds of $531,750 in fiscal 2022. During the year ended December 31, 2023, the Company used net cash of $1,127,608 in investing activities as compared to Nil for the year ended December 31, 2022. The net cash used in investing activities relates to the purchase of capital assets in the amount of $ 143,620; the purchase of short term interest bearing instrument in the amount of $1,000,278 and the receipt of interest income on those instruments in the amount of $16,290.

For the year ended December 31, 2023, the Company had a net decrease in cash of $853,025 (December 31, 2022 - $146,013 increase in cash). For the year ended December 31, 2023, the Company had a cash balance of $700,244 (December 31, 2022, - $1,553,269) and short term interest bearing instruments at fair market value of $1,000,278 (December 31, 2022- $ Nil).

Liquidity and Capital Resources

Statement of financial position highlights	**December 31, 2023**	**December 31, 2022**
Cash	$700,244	$1,553,269
Short term investments- interest bearing	1,000,278	0
Total assets	1,871,544	1,617,446
Total Liabilities	46,155	63,971
Share capital	3,878,010	3,181,850
Reserves	234,000	234,000
Deficit	(2,286,621)	(1,862,375)

Total liabilities as at December 31, 2023 were $46,155 which is a $17,816 decrease from December 31, 2022. The decrease relates to the timing of payments made on operating costs each month.

The Company's cash and investments as at December 31, 2023, are sufficient to meet the Company's total liabilities which are all current.

Subsequent to December 31, 2023, in May 2024, the Company issued 10,000 Class B non voting shares in a private placement offering for proceeds of $ 10,000. The Company also in December 2024 issued 4 million units of its Class B shares to its President and CEO in a private placement offering for proceeds of $ 4 million. Each unit comprises one Class B non voting share and one warrant. Each warrant is exercisable into Class B shares at $1.00 per warrant and expires in five years from the date of issue.

The Company continues to have no long-term debt. The Company's ability to access the debt and equity markets when required will depend upon factors beyond its control, such as economic and political conditions that may affect the capital markets generally. On average the Company anticipates working capital requirements of approximately $40,000 per month to cover ongoing development and operating expenses prior to any RTO transaction (see caption "Nature of Business").

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) The Company rents its office space from Carpenter House Consulting Group Inc, a company owned by the CEO of Kleen, on a month-by-month basis. Rent paid to Carpenter House totaled $15,000 for the year ended December 31, 2023 (2022 - $15,000).

(b) Advances from related party were received from Carpenter House Consulting Group Inc All advances are unsecured, non-interest bearing, and are due on demand. All advances were made for working capital purposes. As at December 31, 2023 the advances owing to Carpenter House was $ 36,155 (2022-$41,389).

(c) No compensation was paid to key management personnel for the years ended December 31, 2023 and 2022.

(d) Subsequent to December 31, 2023, the Company completed a private placement with the President and CEO of the Company, as described in note 12 to the audited financial statements of the Company and as mentioned above under the caption "Liquidity and Capital Resources".

Off-Balance Sheet Arrangements

As at December 31, 2023, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Kleen.

Management of Capital

There were no changes in the Company's approach to capital management during the year ended December 31, 2023. The Company considers its capital to be equal to its equity which amounts to $1,825,389 on December 31, 2023 (December 31, 20222 - $1,553,475). The Company's objectives when managing capital are:

(a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its development program and working capital needs;

(b) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

(c) to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(a) raising capital through equity or debt financings or obtaining short term funds from Carpenter House Consulting Group Inc (as mentioned above).

The Company is not subject to any capital requirements imposed by any regulator.

To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its liabilities as at December 31, 2023.

Management of Financial Risks

Fair Values

The Company's financial instruments consist of cash, investments, sundry receivable, accounts payable and accrued liabilities, and advances from related party. The fair values of these instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures. As at December 31, 2023, the Company had liabilities of $46,155 due within twelve months and has cash and liquid investments of $1,700,522 to meet its current obligations (December 31, 2022 - current liabilities of $63,971 and cash of $1,553,269). Management has judged liquidity risk to be low. There have been no changes to the Company's liquidity risk management policies since December 31, 2022.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. As at December 31, 2023, the Company's maximum exposure to credit risk is $1,727,869 and is comprised of cash, liquid investments, and receivables (December 31, 2022 - $1,573,929). All of the Company's cash is held at a chartered bank in Canada. Management has judged credit risk to be low. There have been no changes to the Company's credit risk management policies since December 31, 2022.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. Market risk is comprised of price risk, foreign currency risk, and interest rate risk. The Company is not significantly exposed to foreign currency risk or interest rate risk as it has no variable interest-bearing financial assets or liabilities. The Company's exposure to price risk is described in more detail below.

Price Risk

Price risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in stock market prices. The Company holds one investment in an exchange traded fund ("ETF") which trades at or near the same price at all times due to the nature of the underlying securities held by the ETF which are cash or money market securities with short-term maturities. Total exposure to price risk is equal to the fair value of the investments, which is $1,000,278 as at December 31, 2023 (2022 - $Nil). Management has judged price risk to be low. There have been no changes to the Company's price risk management policies since December 31, 2022. No sensitivity analysis is provided for price risk as management believes it to be not significant.

Material Accounting Policies

Refer to Note 3 of the notes to the audited Financial Statements for details of the Company's basis of preparation of its financial statements.

Current and Future Changes in Accounting Policies

The following new and amended IFRS standards have been adopted as at January 1, 2023. The adoption of these standards did not have a retrospective impact on any financial statement balances as at that date.

Amendments to International Accounting Standard 1, Presentation of Financial Statements ("IAS 1")

In February 2021, the IASB issued amendments to IAS 1, and IFRS Practice Statement 2, Making Materiality Judgments ("IFRS Practice Statement 2"). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have a material impact on the Company's financial statements.

Recent Accounting Pronouncements

The Company has reviewed recent accounting pronouncements which are not yet effective and notes none that are expected to have a material impact on the Company's financial statements.

Critical Accounting Estimates

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's Financial Statements include the valuation related to the Company's deferred tax assets ("DTA") and deferred tax liabilities ("DTL"), and the Company's estimate of inputs for the calculation of the fair value of stock-based compensation expense.

Deferred tax assets:

Deferred tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

DTL are recognized for all taxable temporary differences and DTA are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. The Company does not record DTA to the extent that it considers it is not more likely than not that deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.

Management determined, based upon expectations for future taxable income, that there is uncertainty if the Company will be able to realize the tax benefits of the DTA during the next several years and therefore has determined not to record any DTA.

Stock-based Compensation Expense:

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense and the fair value of the warrants and broker warrants issued under the Company's private placements. The model requires six key inputs: exercise price, market price at date of issue, risk free interest rate, expected dividend yield, expected life, and expected volatility. The first three inputs are facts rather than estimates, while the expected life, expected volatility, and expected dividend yield (estimated at 0% based on the Company's history of not paying any dividends) are based on the Company's estimates. A shorter expected life of the option, lower volatility number, or higher dividend yield used would result in a decrease in stock-based compensation expense. A longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

During the year ended December 31, 2023 and 2022 , the Company did not grant any stock options.

The Company had the following stock options outstanding as at December 31, 2023:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
15,000,000	15,000,000	$0.05	December 31, 2026	3.00 years

Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company issued and outstanding and the number of common shares issuable pursuant to other outstanding securities of Kleen are as follows:

	Number of securities outstanding	Number of securities exercisable
Class A voting common shares outstanding	10,000,000	10,000,000
Class B non voting common shares outstanding	84,982,220	84,982,220
Stock Options exercisable into Class B shares	15,000,000	15,000,000
Warrants exercisable into Class B shares (a)	4,000,000	4,000,000
Fully Diluted common shares outstanding and exercisable	**113,982,220**	**113,982,220**

(a) Warrants are exercisable into Class B non voting common shares at a price of $1.00 per warrant and expires in December 2029.

Refer to Note 7 of the notes to the audited Financial Statements for details of the Company's share capital as at December 31, 2023.

Additional Information

Additional information relating to Kleen may be found on the Company's website at www.kleenh2.com

KLEEN HY-DRO-GEN INC.

Management's Discussion and Analysis

For the year ended: **December 31, 2024**

Date of report: **April 9, 2025**

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Kleen Hy-Dro-Gen Inc ("Kleen" or the "Company") should be read in conjunction with Kleen's annual audited financial statements and notes thereto as at and for the years ended December 31, 2024 and 2023 (the " Financial Statements").

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise indicated.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's anticipated investment activities and results and financing activities, the Company's future working capital requirements, the ability of the Company to raise capital on a going forward basis, the impact of changes in accounting policies and other factors on the Company's operating results, and the performance of global capital markets and interest rates, the exposure of its financial instruments to various risks and its ability to manage those risks, and the Company's ability to use loss carry-forwards.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Nature of the Business

Kleen Hy-Dro-Gen Inc. was incorporated in the Province of Ontario on November 8, 2017. The Company is domiciled in the Province of Ontario and has its registered office at 1885 Clements Road, Unit 253, Pickering, Ontario L1W 3V4.

The Company is an early stage private green energy research and development company, focused on developing an accessible residential heating solution using hydrogen instead of fossil fuels in applications where high-grade heat is needed and where electrical heating is not the best option. The Company is currently in beta testing of its KleenHeat system which is aimed for the home heating industry. The KleenHeat system is a retrofit system to the current home heating system in homes except it runs on hydrogen instead of fossil fuels.

On September 28, 2023, the Company entered into a binding letter agreement with 0755461 B.C. Ltd. ("Shellco") a reporting issuer registered in the Province of British Columbia, pursuant to which the Company will effect an RTO of Shellco (the "Proposed Transaction"). The Proposed Transaction is expected to proceed by way of amalgamation, arrangement, share exchange, take-over bid or other similarly structured transaction whereby a subsidiary of Shellco and the Company will amalgamate, the result of which will be that (i) each Class A share of the Company will be exchanged for one Class A common voting share of Shellco (a "Resulting Issuer Class A Share"); and (ii) each Class B share of the Company (including those issuable or issued pursuant to the Concurrent Financing described below) will be exchanged for one Class B common non-voting share of Shellco (a "Resulting Issuer Class B Share").

As a condition to the completion of the Proposed Transaction, the Company must complete a private placement offering (the "Concurrent Financing") of Class B shares or subscription receipts, for aggregate gross proceeds of not less than $1,500,000 upon at a price to be determined by the Company in the context of the market. Upon completion of the Proposed Transaction, Shellco will effect a name change and appoint a new the board of directors determined at the sole discretion of the Company, and the Resulting Issuer will carry on the business of the Company.

Immediately prior to the Proposed Transaction, Shellco will (i) complete a stock consolidation (the "Consolidation") in respect of its issued and outstanding common shares ("Shellco Shares"), on a basis that results in the number of post-Consolidation Shellco Shares being equal to (i) 4,000,000; plus (ii) in the event the price at which securities are issued in the Concurrent Financing is less than $0.50, such additional number of Shellco Shares as shall entail an aggregate value of $2,000,000 based on a deemed price per

Shellco Share equal to the price of the securities issued in the Concurrent Financing; and (ii) file articles of amendment to amend its authorized capital to consist of an unlimited number of Resulting Issuer Class A Shares and Resulting Issuer Class B Shares, and exchange all Shellco Shares for Resulting Issuer Class B Shares on a 1:1 basis.

The completion of the Proposed Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) completion of due diligence and the negotiation and execution of a definitive agreement; (ii) the receipt of all applicable shareholder approvals for the Proposed Transaction and related matters, to the extent as required by applicable law and policies of any applicable stock exchange; (iii) the receipt of all applicable third party approvals including the approval of the Exchange for the listing of the Resulting Issuer Class B Shares thereon; and (iv) the completion of the Concurrent Financing.

In connection with the Proposed Transaction and pursuant to a promissory note, the Company loaned $30,000 to Shellco on March 31, 2024, and loaned a further $15,000 on October 15, 2024 to assist Shellco with its working capital needs. The promissory note is due on demand following the completion of the Proposed Transaction, or the termination of the Proposed Transaction.

There is no guarantee the proposed transaction will occur.

Summary

- For the year ended December 31, 2024, the Company had net loss and comprehensive loss of $400,591 (loss per share of $0.00) as compared to net loss and comprehensive loss of $424,246 (loss per share of $0.00) for the year ended December 31, 2023.

- As at December 31, 2024, the Company had cash and investments at fair value totalling $5,395,298 as compared to $1,700,522 as at December 31, 2023, an approximate 217% increase.

- In fiscal 2024, the Company raised $ 4,010,000 in capital by way of private placement offerings of Class B nonvoting common shares as compared to raising $ 696,160 in fiscal 2023 (see additional commentary latter on in this MD&A).

- The Company currently is beta testing its KleenHeat hydrogen system in a house in Ajax Ontario owned by the CEO of the Company.

- Subsequent to December 31, 2024, the Company raised additional capital by way of private placement offerings of its Class B common shares raising an additional $20,000.

Investments

The Company keeps its excess cash in investments as follows:

Investments are comprised of the following:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Money market	$ 1,062,604	$ 1,000,278	$ 1,000,278	$ 1,000,278
Equities	1,778,895	1,735,160	-	-
Mutual funds	2,246,103	2,218,120	-	-
	$ 5,087,602	$ 5,015,884	$ 1,000,278	$ 1,000,278

Investments in money market, equities, and mutual funds are categorized into Level 1 of the fair value hierarchy and are measured based on quoted market prices. The Company does not have any other financial instruments measured at fair value and there were no transfers between levels of the fair value hierarchy during the years ended December 31, 2024 and 2023.

Selected Annual Information

The Company's selected financial information for its three most recently completed financial years as at and for the years ending December 31, is provided below:

	2024	2023	2022
Finance income	$1,586	$20,588	$ -
Operating expenses	402,177	444,834	361,556
Net Loss and comprehensive loss for the year	(400,591)	(424,246)	(361,556)
Loss per common share-basic and diluted	0.00	0.00	0.00

Over the past three years the Company has been developing its KleenHeat hydrogen system and the net loss for each year relates to the development and operating expenses relating to the KleenHeat hydrogen system and general operating expenses. The Company has no revenue from the sale of any products since inception.

Finance income is comprised of the following:

		2024		2023
Interest	$	43,700	$	20,588
Dividends		29,604		-
Net change in unrealized losses on investments		(71,718)		-
	$	1,586	$	20,588

As at December 31, 2024, the Company's total assets have increased by $3,779,287, or 200%, since December 31, 2023. The increase in total assets is mainly driven by raising additional capital.

Summary of Quarterly Results

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

	December 31, 2024	Sept 30, 2024	June 30, 2024	March 31, 2024
Finance Income (loss)	($34,588)	$11,666	$12,014	$12,494
Operating expenses	163,066	71,788	119,710	47,613
Net loss and comprehensive loss for the period	($197,654)	($60,122)	($107,696)	($35,119)
Net loss per shares-basic and diluted	$0.00	$0.00	$0.00	$0.00

	December 31, 2023	Sept 30, 2023	June 30, 2023	March 31, 2023
Finance Income	$10,284	$10,273	$31	$0
Operating expenses	132,364	113,728	111,062	87,680
Net loss and comprehensive loss for the period	(122,080)	(103,455)	(111,031)	(87,680)
Net loss per shares-basic and diluted	$0.00	$0.00	$0.00	$0.00

No dividends were declared by the Company during any of the periods indicated.

Over the past eight quarters, fluctuations in net loss on a quarter-over-quarter basis have been mainly impacted primarily by the amount of development costs being incurred in those periods as well as audit and legal fees incurred. The Company has no revenue from sales of its products since inception since its currently still in beta testing of its KleenHeat hydrogen system.

Results of Operations
Three Months Ended December 31, 2024 and 2023:

For the three months ended December 31, 2024, the Company recorded a net loss and comprehensive loss for the period of $ 197,654 (loss per share $0.00) as compared to a net loss and comprehensive loss of $ 122,080(Loss per share $0.00) for the three months ended December 31, 2023.

The Company holds its excess cash in investments. During the three months ended December 31, 2024, the Company recorded interest income of $ 8,916 (2023- $ 20,588), dividend income of $ 28,012 (2023-$0.00) and net change in unrealized losses on investments of $ 71,718 (2023-$ 0.00) representing in aggregate net finance income of $ 1,586 as compared to finance income of $ 20,588 for the three months ended December 31, 2023.

For the three months ended December 31, 2024, operating expenses was $163,066 as compared to $ 132,364 for the three months ended December 31, 2023. The decrease of $30,702 between the three months ended December 31, 2024, and three months ended December 31, 2022 was primarily due to changes as explained below.

The following is the breakdown of the Company's expenses for the three months ended December 31, 2024 and 2023. Details of the changes follow the table:

		2024	2023
Development costs	(a)	72,294	112,073
Professional fees	(b)	75,542	-
Rental	(c)	3,750	3,750
Office expenses	(d)	3,911	2,306
Amortization		7,569	14,235
		163,066	**132,364**

(a) Development costs represent funds spent on engineering as well as the costs associated with supplies and materials in testing and development of the KleenHeat hydrogen system and patent application costs including legal costs relating to the patent applications. Development costs decreased by $39,779 during the three months ended December 31, 2024 compared to the three months ended December 31, 2023 as a result of decreased number of consultants employed since development of the project changed from engineering/development to testing and did not require more than one consultant to perform beta testing in the fourth quarter of 2024.

(b) Professional fees increased by $75,542 for the three months ended December 31, 2024, as compared to the three months ended December 31, 2023, mainly due to timing of those costs relating to audit fees incurred for the preparation of the Company's financial statements for the years ended December 31, 2023 and 2022

(c) The Company leases office space on a month-to-month basis from a company controlled by the CEO for $1,250 per month. There has been no change in this arrangement since fiscal 2022.

(d) Office expenses represent expenditures such as telephone, internet, and office supplies. Office expenses are minimal each month since all operations are centered around the development of its KleenHeat hydrogen system.

Years Ended December 31, 2024 and 2023

For the year ended December 31, 2024, the Company generated finance income of $ 1,586 as compared to $20,588 for the year ended December 31, 2023. The finance income is derived from the Company's investments as noted previously under the caption "Investments". Details of the finance income for 2024 and 2023 is as follows:

Finance income is comprised of the following:

	2024	2023
Interest	$ 43,700	$ 20,588
Dividends	29,604	-
Net change in unrealized losses on investments	(71,718)	-
	$ 1,586	$ 20,588

The increase in dividend income and interest income from Fiscal 2023 to Fiscal 2024 relate to the increase in funds available for investing the Company's excess cash. As at December 31, 2024 the Company had in excess of $5 million dollars invested where in 2023 the Company had only $1 million dollars invested. The net change in unrealized losses in investments of $71,718 relate to the change in fair market value of the investments as compared to its costs. These changes can fluctuate based on stock market volatility.

For the year ended December 31, 2024, operating expenses were $402,177 (December 31, 2023 $444,834). The decrease of $42,657 between the year ended December 31, 2024 and year ended December 31, 2023 is outlined below.

The following is the breakdown of the Company's expenses for the year ended December 31, 2024 and 2023. Details of the changes follow the table:

		2024	2023
Development costs	(a)	245,765	368,574
Professional fees	(b)	84,038	7,740
Rental	(c)	15,000	15,000
Office expenses	(d)	22,870	10,058
Amortization		34,504	43,462
		402,177	**444,834**

(a) Development costs decreased by $122,809 during the year ended December 31, 2024 compared to the year ended December 31, 2023, as the Company moved from engineering/development to testing its KleenHeat hydrogen system therefore the number of engineers decreased significantly and materials and supplies decreased significantly. The Company, at the end of 2023 started its next phase in development of its KleenHeat hydrogen system. Its activity in 2024 and to date of this MD&A, was focused on a production prototype, Quality Control ("QC") and Quality Assurance ("QA"). These two key processes play a distinct yet crucial roles in ensuring and paving the way for efficient mass production.

Quality Assurance (QA): Building the Right Thing, the Right Way

QA focuses on **prevention**. Its key role for a production prototype is to:

- **Define Quality Standards:** QA establishes the criteria and specifications the prototype must meet in terms of functionality, performance, reliability, and even aesthetics. This sets the benchmark for what "good" looks like.
- **Establish Processes:** QA defines the processes and procedures that should be followed during the prototype development. This includes documentation, design reviews, material selection guidelines, and testing protocols. The goal is to build quality *into* the prototype from the start.

- **Ensure Design Integrity:** QA is involved early in the design phase to identify potential quality issues and ensure the design is robust and manufacturable. This proactive approach minimizes problems down the line.
- **Validate the Design Concept:** QA activities help confirm that the prototype not only meets the technical requirements but also aligns with the intended use and user needs.
- **Set the Stage for Production:** The QA processes established during prototyping often form the foundation for the quality management system in mass production.

Quality Control (QC): Checking the Thing is Right
QC focuses on **detection**. Its key role for a production prototype is to:

- **Verify Conformance:** QC involves inspecting and testing the physical prototype against the quality standards defined by QA. This determines if the prototype meets the specified requirements.
- **Identify Defects and Issues:** Through various testing methods (functional, stress, usability, etc.), QC aims to find any flaws, errors, or deviations from the intended design and standards.
- **Measure Performance:** QC assesses how well the prototype performs its intended functions and if it meets the required performance metrics.
- **Provide Feedback for Improvement:** The findings from QC testing provide crucial feedback to the design and engineering teams. This allows for necessary adjustments and refinements to the prototype before moving to mass production.
- **Validate Manufacturing Feasibility:** QC can help identify potential manufacturing challenges or inconsistencies that might arise during mass production.

In essence:

- **QA makes sure you have a plan and processes in place to build a quality prototype.** It's about doing things right from the beginning.
- **QC makes sure the prototype you built actually meets the quality standards.** It's about checking the final output.

Both QA and QC are essential for a production prototype. QA lays the groundwork for quality, while QC validates if that quality has been achieved and provides valuable insights for refinement before the significant investment of mass production. Catching issues at the prototype stage is far less costly and time-consuming than discovering them later.
The Company believes its ready for its next stage in final testing which is to obtain certification for its KleenHeat hydrogen system. These certifications are TSSA (Technical Standards and Safety Authority); ESA (Electrical Safety Authority); CE (Conformite Europeene); and ISO 14065. Here is a summary of key differences:

Feature	TSSA	ESA	ULC	CE	ISO 14065
Authority	Ontario Regulatory Authority	Ontario Administrative Authority	Independent, Non-Governmental (Canada)	European Union Mandatory Marking	International Organization for Standardization (ISO) Standard
Focus	Safety in specific Ontario industries	Electrical safety in Ontario	Product and service safety (Canada)	Health, safety, environment (EU)	Validation & verification of environmental information
Scope	Amusement, boilers, fuels, etc.	Electrical installations & contractors	Wide range of products & services	Wide range of products for the EEA	Primarily GHG emissions, broader environmental info in newer versions
Certification	Certificates of Qualification, registration, licensing	Certificate of Acceptance, licensing	ULC Marks on products, system certificates	Manufacturer self-declaration (sometimes 3rd party)	Accreditation of validation/verification bodies
Geography	Ontario, Canada	Ontario, Canada	Canada	European Economic Area (EEA)	International

The "Kleen Heat" product prototype is considered complete subject to ongoing development including with regard to quality control (QC) and quality assurance (QA) which are fundamental to ensuring the reliability and performance of the Company's flagship product. Currently, the Company is in the state of undergoing phase of formal QC and QA incorporating procedures which adhere with ISO 9001 QMS.
These QC and QA protocols include rigorous functional testing to verify core features, and performance testing to assess gas production and stability during combustion. These processes are primarily conducted internally by the Company's engineering team and are designed to identify and rectify any defects or areas for improvement before broader release.

To date, the Company has also conducted 4 beta tests for the "Kleen Heat" product being functional testing, performance testing, usability testing and security testing. The primary objectives of these tests include monitoring the hydrogen gas production flow rate and the resulting heat energy from the combustion process as well as various other performance and safety measures.

The next steps to advance the "Kleen Heat" product to the commercialization stage are as follows:
- a second phase of beta testing with a larger user group, to be completed in the third quarter of 2025;
- TSSA certification expected by the end of 2025;
- ISO 14064 Green House Gas "GHG" emissions verification and validation followed by final performance optimization, both expected by the end of 2025;
- ESA and ULC certification expected by the end of 2025

The estimated costs for the next steps set forth above are approximately $200,000 for the certifications and approximately $ 185,000 for product development which includes material and supplies and engineering costs(consulting fees).

Development costs are comprised of the following:

		2024		2023
Materials and supplies	$	67,232	$	177,164
Patent fees and costs		58,533		39,410
Consulting fees		120,000		152,000
	$	245,765	$	368,574

(b) Professional fees increased by $76,298 for the year ended December 31, 2024, as compared to the year ended December 31, 2023. Professional fees will vary from period to period depending on the services the Company needs from its professionals. Included in 2024 professional fees are audit fees associated with the preparation of audited financial statements for the years ended December 31, 2023 and 2022.

(c) The Company rents its office space on a month-to-month basis from a company controlled by the CEO. Monthly rent is $1,250 a month or $15,000 annually. This arrangement has not changed since fiscal 2022.

(d) Office expenses represent expenditures such as telephone, internet, consulting fees and office supplies. Office expenses increased by $ 12,812 during the year ended December 31, 2024 as compared to the year ended December 31, 2023, specifically related to consulting fees incurred for updating website and marketing materials.

For the year ended December 31, 2024, the Company recorded a net loss of $ 400,591 (net loss per share-Nil) as compared to a net loss of $424,246 for the year ended December 31, 2022 (Net loss per share $ Nil).

The status of the Company's patent applications is below under the heading "Patent Pending"

Cash Flows
Year ended December 31, 2024 and 2023

During the year ended December 31, 2024, the Company used net cash of $417,064 in its operating activities (December 31, 2023 – $416,343 used in operating activities). The net cash used in operating activities mainly relate to the net loss of the Company.

During the year ended December 31, 2024, the Company generated net cash of $4,112,285 in financing activities (December 31, 2023 - $690,926 generated from financing activities).

During the year ended December 31, 2024, the Company issued 10,000 Class B nonvoting shares under one private placement offering for proceeds of $10,000 as compared to the issuance of 696,160 Class B non voting shares for proceeds of $696,160 in fiscal 2023. Also, during the year ended December 31, 2024 the Company issued 4,000,000 units to the CEO/President of the Company ("Thomas Fairfull") at $ 1 per unit in a private placement for gross proceeds of $4 million. Each unit is comprised of one Class B share and one warrant. Each warrant is exercisable into Class B shares at $ 1.00 per warrant and has a term of five years from the date of issuance. Also, during the year ended December 31, 2024 the Company received advances from Carpenter House Consulting Group Inc. in the amount of $ 102,285 (a corporation owned by Thomas Fairfull) for general working capital purposes. These advances are noninterest bearing and due on demand. Subsequent to December 31, 2024, all advances were repaid. In fiscal 2023, $ 5,234 of the advances from Carpenter House was repaid.

During the year ended December 31, 2024, the Company used net cash of $4,016,051 in investing activities as compared to $1,127,608 for the year ended December 31, 2023. The net cash used in investing activities relates to the purchase of capital assets in the amount of $ 3,610 (2023-$ 143,620); the purchase of investments in the amount of $4,087,324 (2023- $ 1,000,278) and the receipt of interest income and dividend income on those investments in the amount of $ 74,883 (2023-$16,290).

For the year ended December 31, 2024, the Company had a net decrease in cash of $320,830 (December 31, 2023 - $853,025 decrease in cash). For the year ended December 31, 2024, the Company had a cash balance of $379,414 (December 31, 2023, - $700,244) and investments at fair market value of $5,015,884 (December 31, 2023- $ 1,000,278).

Liquidity and Capital Resources

Statement of financial position highlights	December 31, 2024	December 31, 2023
Cash	$379,414	$700,244
Investments	5,015,884	1,000,278
Total assets	5,650,831	1,871,544
Total Liabilities	216,033	46,155
Share capital	6,608,010	3,878,010
Reserves	1,514,000	234,000
Deficit	(2,687,212)	(2,286,621)

Total liabilities as at December 31, 2024 were $216,033 which is a $169,878 increase from December 31, 2023. The increase mainly relates to the increase in advances from Carpenter House in the amount of $ 102,285 as mentioned above and an increase general accounts payable in the amount of $ 31,348 specifically relating to timing of payments made on operating costs.

The Company's cash and investments as at December 31, 2023, are sufficient to meet the Company's total liabilities which are all current.

Subsequent to December 31, 2024, the Company issued 20,000 Class B nonvoting shares in a private placement offering for proceeds of $ 20,000.

The Company continues to have no long-term debt. The Company's ability to access the debt and equity markets when required will depend upon factors beyond its control, such as economic and political conditions that may affect the capital markets generally. On average the Company anticipates working capital requirements of approximately $50,000 per month to cover ongoing development and operating expenses prior to any RTO transaction (see caption "Nature of Business").

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) The Company rents its office space from Carpenter House, the related party described in note 6 of the audited financial statements for the year ended December 31, 2024, on a month-by-month basis. Rent paid to Carpenter House totaled $15,000 for the year ended December 31, 2024 (2023 - $15,000).

(b) The Company issued 4,000,000 Class B shares to its President during the year ended December 31, 2024, as described earlier in this MD&A

(c) Advances from a related party are described in note 6 of the audited financial statements for the year ended December 31, 2024 and as well as earlier in this MD&A.

(d) No compensation was paid to key management personnel for the years ended December 31, 2024 and 2023.

Patents Pending

Kleen is the registered applicant and owner for PCT/CA2020/051490 (International Publication No. WO 2021/087603), filed November 3, 2020, for a pending patent titled "Process and Apparatus for Combusting Hydrogen". Kleen's application has designated over 120 different countries including, but not limited to, the USA, Canada, Japan, China, Australia and the European Union.

Kleen also has additional patent application pending as follows:

Patent Number / Description	Jurisdiction	Status
US 17/774,694 [SB ref R-054086-3005/91019219] relating to the hydrogen combustion process and furnace	United States	Pending and in good standing
US 18/862,841 [SB ref R-054086-6005/92771700] relating to recycling combustion products	United States	Pending and in good standing
CA 3154714 [SB ref R-054086-3006/91019220] relating to the hydrogen combustion process and furnace	Canada	Pending and in good standing
CA 3257322 [SB ref R-054086-6002/92771685] relating to recycling combustion products	Canada	Pending and in good standing
Application No. 2022-526384 [SB ref R-054086-3010/91019224] relating to the hydrogen combustion process and furnace	Japan	Response to office action filed December 27, 2024
Divisional Application No. 2024-086365 [SB ref R-054086-3010D1/92532410]		Pending and in good standing
Application No. 2020380418 [SB ref R-054086-3007/91019221] relating to the hydrogen combustion process and furnace	Australia	Lapsed
Divisional Application No. 2020380418 [SB ref R-054086-3007D1/92512152]		Pending and in good standing
Divisional Application No. 2024202099 [SB ref R-054086-3007D2/ 92631649]		Pending and in good standing
Application No. 20885579.1 [SB ref R-054086-3009/91019223]	Europe	Pending and in good standing

relating to the hydrogen combustion process and furnace		
Application No. 62023069962.6 [SB ref R-054086-3012/91019226] relating to the hydrogen combustion process and furnace	Hong Kong	Pending and in good standing
Application No. 2024-565051 [SB ref R-054086-6004/92771695] relating to recycling combustion products	Japan	Pending and in good standing
Application No. 2023264113 [SB ref R-054086-6001/92771680] relating to recycling combustion products	Australia	Pending and in good standing
Application No. 23799074.2 [SB ref R-054086-6003/92771690] relating to recycling combustion products	Europe	Pending and in good standing

Kleen will continue to monitor its Patent applications status with its Patent lawyers and move forward applications and or apply for additional patents as necessary. There is no guarantee that any of its applications will be accepted. The Company anticipates spending approximately $75,000 in fiscal 2025 in patent applications and renewals including legal fees associated with those applications. During 2024, the Company spent $ 58,533 relating to legal fees and application fees associated with the above applications (2023 -$ 39,410). From inception the Company has spent approximately $ 217,000 in patent legal fees and patent application costs.

Off-Balance Sheet Arrangements

As at December 31, 2024, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Kleen.

Management of Capital

There were no changes in the Company's approach to capital management during the year ended December 31, 2024. The Company considers its capital to be equal to its equity which amounts to $5,434,790 on December 31, 2024 (December 31, 20223 - $1,825,389). The Company's objectives when managing capital are:

(a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its development program and working capital needs;

(b) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

(c) to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(a) raising capital through equity or debt financings or obtaining short term funds from Carpenter House Consulting Group Inc (as mentioned above).

To maintain its capital structure, the Company keeps all of its assets in very liquid form. The Company's primary sources of capital were proceeds from the issuance of shares. There were no changes in the Company's approach to capital management during the periods presented. The Company are not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Company is not subject to any capital requirements imposed by any regulator.

To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its liabilities as at December 31, 2024.

Management of Financial Risks

Fair Values

The Company's financial instruments consist of cash, investments, interest receivable, promissory notes receivable, accounts payable and accrued liabilities, and advances from related party. The fair values of these instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures. As at December 31, 2024, the Company has liabilities of $216,033 due within twelve months and has cash and liquid investments of $5,395,298 to meet its current obligations (December 31, 2023 - current liabilities of $46,155 and cash of $1,700,522). Management has judged liquidity risk to be low. There have been no changes to the Company's liquidity risk management policies since December 31, 2023.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. Cash and money market investments are the Company's largest exposure to credit risk, and management considers these to be low, due to the high credit ratings of the financial institutions and governments who are the counterparties.

The allowance for doubtful accounts and bad debts expense are $Nil as at and for the years ended December 31, 2024 and 2023. Management has judged credit risk to be low. There have been no changes to the Company's credit risk management policies since December 31, 2023.

The Company's maximum exposure to credit risk is presented below.

	2024	2023
Cash and deposits		
Cash	$ 379,414	$ 700,244
Investments	1,062,604	1,000,278
	1,442,018	1,700,522
Loans and receivables		
Interest receivable	2,719	4,298
Promissory note receivable	45,000	-
Sales taxes recoverable	59,033	23,049
	106,752	27,347
	$ 1,548,770	$ 1,727,869

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. Market risk is comprised of price risk, foreign currency risk, and interest rate risk. The Company is not significantly exposed to foreign currency risk or interest rate risk as it has no financial assets or liabilities which are interest-bearing at variable rates or denominated in foreign currencies. The Company's exposure to price risk is described in more detail below.

Price Risk

Price risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in stock or bond market prices. The Company is exposed to market price fluctuations on its investments in equities and mutual funds, for which total exposure is $3,953,280 as at December 31, 2024 (2023 - $Nil). Price fluctuations on money market investments are not significant. Management has judged price risk to be low. There have been no changes to the Company's price risk management policies since December 31, 2023.

A sensitivity analysis of the impact on net loss and comprehensive loss for changes in the market prices of investments in equities and mutual funds is presented below:

	2024	2023
Favourable by 4%	$ 158,131	$ -
Favourable by 2%	79,066	-
No change	-	-
Unfavourable by 2%	(79,066)	-
Unfavourable by 4%	(158,131)	-

Material Accounting Policies

Refer to Note 3 of the notes to the audited Financial Statements for the year ended December 31, 2024 and 2023 for details of the Company's basis of preparation of its financial statements.

Recent Accounting Pronouncements

The following IFRS standards are issued but not yet effective. The Company has not yet assessed the impact of these standards on its financial statements.

(a) *Annual Improvements to IFRS Accounting Standards – Volume 11*

Issued in July 2024 and effective for periods beginning on or after January 1, 2026, are the following amendments to existing IFRS standards:

- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*
- Amendments to IFRS 7, *Financial Instruments: Disclosures*
- Amendments to IFRS 9, *Financial Instruments*
- Amendments to IFRS 10, *Consolidated Financial Statements*
- Amendments to IAS 7, *Statement of Cash Flows*

(b) IFRS 18, *Presentation and Disclosure in the Financial Statements* ("IFRS 18")

Issued in April 2024, IFRS 18 replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 will introduce categories and defined subtotals in the statement of profit or loss, among other requirements to improve aggregation and disaggregation that aim to make financial statements more comparable across entities. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. Early application is permitted.

The Company has not yet begun the process of assessing the impact that the new standards will have on its financial statements or whether to early adopt any of the new requirements.

Critical Accounting Estimates

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's Financial Statements include the valuation related to the Company's deferred tax assets ("DTA") and deferred tax liabilities ("DTL"), and the Company's estimate of inputs for the calculation of the fair value of stock-based compensation expense.

<u>Deferred tax assets:</u>

Deferred tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

DTL are recognized for all taxable temporary differences and DTA are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. The Company does not record DTA to the extent that it considers it is not more likely than not that deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.

Management determined, based upon expectations for future taxable income, that there is uncertainty if the Company will be able to realize the tax benefits of the DTA during the next several years and therefore has determined not to record any DTA.

Stock-based Compensation Expense:

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense, and the fair value of the warrants and broker warrants issued under the Company's private placements. The model requires six key inputs: exercise price, market price at date of issue, risk free interest rate, expected dividend yield, expected life, and expected volatility. The first three inputs are facts rather than estimates, while the expected life, expected volatility, and expected dividend yield (estimated at 0% based on the Company's history of not paying any dividends) are based on the Company's estimates. A shorter expected life of the option, lower volatility number, or higher dividend yield used would result in a decrease in stock-based compensation expense. A longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

During the year ended December 31, 2024 and 2023, the Company did not grant any stock options.

The Company had the following stock options outstanding as at December 31, 2024:

Number of Options Outstanding	**Number of Options Exercisable**	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining Contractual Life**
15,000,000	15,000,000	$0.05	December 31, 2026	2.00 years

Warrants

The following table reflects the continuity of warrants:

	2024	
	Number of Warrants	**Weighted Average Exercise Price**
Outstanding, beginning of year	-	$ -
Issued (i)	4,000,000	1.00
Exercised	-	-
Expired	-	-
Outstanding, end of year	4,000,000	$ 1.00

(i) On December 3, 2024, the Company issued 4,000,000 warrants in a unit private placement, which are exercisable at $1.00 per warrant and have a term of five years.

The fair value of warrants issued during the year ended December 31, 2024, was calculated as $0.75 per warrant, based on the Black-Scholes option pricing model. The value assigned to warrants issued during the year ended December 31, 2024, was $1,280,000 (2023 - $Nil).

The fair value of the warrants issued was estimated at the issue date using the following weighted average assumptions:

		2024
Share price	$	1.00
Expected volatility		50%
Dividend yield		0%
Risk-free interest rate		3.05%
Expected life		5 years

The expected volatility is based on management's estimate of the volatility in the Company's share price over the life of the warrants based on past history. The Company has not paid any cash dividends historically and does not have any plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian benchmark bonds with an equivalent term to maturity. The expected life of the warrants is based on management's estimate of the time that the warrants will be outstanding.

The Company had the following warrants outstanding as at December 31, 2024:

Number of Warrants Outstanding	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining Contractual Life**
4,000,000	$1.00	December 3, 2029	4.93 years

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Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company issued and outstanding and the number of common shares issuable pursuant to other outstanding securities of Kleen are as follows:

	Number of securities outstanding	Number of securities exercisable
Class A voting common shares outstanding	10,000,000	10,000,000
Class B non-voting common shares outstanding	85,002,220	85,002,220
Stock Options exercisable into Class B shares	15,000,000	15,000,000
Warrants exercisable into Class B shares (a)	4,000,000	4,000,000
Fully Diluted common shares outstanding and exercisable	**114,002,220**	**114,002,220**

(a) Warrants are exercisable into Class B nonvoting common shares at a price of $1.00 per warrant and expires in December 2029.

Refer to Note 7 of the notes to the audited Financial Statements for details of the Company's share capital as at December 31, 2024.

Additional Information

Additional information relating to Kleen may be found on the Company's website at www.kleenh2.com

For the quarter ended: **March 31, 2025**

Date of report: **May 23, 2025**

This management’s discussion and analysis of the financial condition and results of operation (“MD&A”) of Kleen Hy-Dro-Gen Inc (“Kleen” or the “Company”) should be read in conjunction with Kleen’s unaudited interim condensed financial statements (the “Interim Statements”) and notes thereto as at and for the three months ended March 31, 2025, and the annual audited financial statements as at and for the year ended December 31, 2024. The same accounting policies and methods of computation were followed in the preparation of the Interim Statements as were followed in the preparation and described in Note 3 of the annual audited financial statements as at and for the year ended December 31, 2024.

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise indicated.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company’s anticipated investment activities and results and financing activities, the Company’s future working capital requirements, the ability of the Company to raise capital on a going forward basis, the impact of changes in accounting policies and other factors on the Company’s operating results, and the performance of global capital markets and interest rates, the exposure of its financial instruments to various risks and its ability to manage those risks, and the Company’s ability to use tax loss carry-forwards.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: or otherwise raise capital in order to fund obligations as they become due, the Company’s ability to generate taxable income from operations, including, without limitation, risks related to the fact that availability of capital on terms acceptable to the Company or at all, and other risks included elsewhere in this MD&A under the headings "Management of Financial Risks" and "Principal Business Risks".

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Nature of the Business

Kleen Hy-Dro-Gen Inc. was incorporated in the Province of Ontario on November 8, 2017. The Company is domiciled in the Province of Ontario and has its registered office at 1885 Clements Road, Unit 253, Pickering, Ontario L1W 3V4.

The Company is an early stage private green energy research and development company, focused on developing an accessible residential heating solution using hydrogen instead of fossil fuels in applications where high-grade heat is needed and where electrical heating is not the best option. The Company is currently in beta testing of its KleenHeat system which is aimed for the home heating industry. The KleenHeat system is a retrofit system to the current home heating system in homes except it runs on hydrogen instead of fossil fuels.

On September 28, 2023, the Company entered into a binding letter agreement with 0755461 B.C. Ltd. ("Shellco") a reporting issuer registered in the Province of British Columbia, pursuant to which the Company will effect an RTO of Shellco (the "Proposed Transaction"). The Proposed Transaction is expected to proceed by way of amalgamation, arrangement, share exchange, take-over bid or other similarly structured transaction whereby a subsidiary of Shellco and the Company will amalgamate, the result of which will be that (i) each Class A share of the Company will be exchanged for one Class A common voting share of Shellco (a "Resulting Issuer Class A Share"); and (ii) each Class B share of the Company (including those issuable or issued pursuant to the Concurrent Financing described below) will be exchanged for one Class B common non-voting share of Shellco (a "Resulting Issuer Class B Share").

As a condition to the completion of the Proposed Transaction, the Company must complete a private placement offering (the "Concurrent Financing") of Class B shares or subscription receipts, for aggregate gross proceeds of not less than $1,500,000 upon at a price to be determined by the Company in the context of the market. Upon completion of the Proposed Transaction, Shellco will effect a name change and appoint a new the board of directors determined at the sole discretion of the Company, and the Resulting Issuer will carry on the business of the Company.

Immediately prior to the Proposed Transaction, Shellco will (i) complete a stock consolidation (the "Consolidation") in respect of its issued and outstanding common shares ("Shellco Shares"), on a basis that results in the number of post-Consolidation Shellco Shares being equal to (i) 4,000,000; plus (ii) in the event the price at which securities are issued in the Concurrent Financing is less than $0.50, such additional number of Shellco Shares as shall entail an aggregate value of $2,000,000 based on a deemed price per Shellco Share equal to the price of the securities issued in the Concurrent Financing;

and (ii) file articles of amendment to amend its authorized capital to consist of an unlimited number of Resulting Issuer Class A Shares and Resulting Issuer B Class B Shares, and exchange all Shellco Shares for Resulting Issuer Class B Shares on a 1:1 basis.

The completion of the Proposed Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) completion of due diligence and the negotiation and execution of a definitive agreement; (ii) the receipt of all applicable shareholder approvals for the Proposed Transaction and related matters, to the extent as required by applicable law and policies of any applicable stock exchange; (iii) the receipt of all applicable third party approvals including the approval of the Exchange for the listing of the Resulting Issuer Class B Shares thereon; and (iv) the completion of the Concurrent Financing.

In connection with the Proposed Transaction and pursuant to a promissory note, the Company loaned $30,000 to Shellco on March 31, 2024, and loaned a further $15,000 on October 15, 2024 to assist Shellco with its working capital needs. The promissory note is due on demand following the completion of the Proposed Transaction, or the termination of the Proposed Transaction.

There is no guarantee the proposed transaction will occur.

Summary

- For the three months ended March 31, 2025, the Company had net loss and comprehensive loss of $249,595 (net loss per share of $0.00) as compared to net loss and comprehensive loss of $35,119(net loss per share of $0.00) for the three months ended March 31, 2024.
- As at March 31, 2025, the Company had cash and investments at fair value totaling $5,063,442 as compared to $5,395,298 as at December 31, 2024.
- During the three months ended March 31, 2025, the Company raised $20,000 in capital by the issuance of 20,000 Class B non voting shares.
- The Company currently is beta testing its KleenHeat hydrogen system in a house in Ajax Ontario owned by the CEO of the Company.
- Subsequent to March 31, 2025, the Company raised additional capital by way of private placement offerings of its Class B common shares raising $ 40,000 at a dollar per share.

Investments

Investments are comprised of the following:

	March 31, 2025		December 31, 2024	
	Cost	Fair Value	Cost	Fair Value
Money market	$ 960,749	$ 959,954	$ 1,062,604	$ 1,000,278
Equities	1,757,983	1,663,498	1,778,895	1,735,160
Mutual funds	2,364,671	2298,818	2,246,103	2,218,120
	$ 5,083,403	$ 4,922,270	$ 5,087,602	$ 5,015,884

Investments in money market, equities, and mutual funds are categorized into Level 1 of the fair value hierarchy and are measured based on quoted market prices. The Company does not have any other financial instruments measured at fair value and there were no transfers between levels of the fair value hierarchy during the three months ended March 31, 2025 or for the year ended December 31, 2024.

Summary of Quarterly Results

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

	March 31, 2025	December 31, 2024	Sept 30, 2024	June 30, 2024
Finance Income (loss)	($40,991)	($34,588)	$11,666	$12,014
Operating expenses	208,604	163,066	71,788	119,710
Net loss and comprehensive loss for the period	($249,595)	($197,654)	(60,122)	(107,696)
Net loss per shares-basic and diluted	$0.00	$0.00	$0.00	$0.00

	March 31, 2024	December31, 2023	Sept 30, 2023	June 30, 2023
Finance Income	$12,494	$10,284	$10,273	$31
Operating expenses	47,613	132,364	113,728	111,062
Net loss and comprehensive loss for the period	(35,119)	(122,080)	(103,455)	(111,031)
Net loss per shares-basic and diluted	$0.00	$0.00	$0.00	$0.00

No dividends were declared by the Company during any of the periods indicated.

Over the past eight quarters, fluctuations in net loss on a quarter-over-quarter basis have been mainly impacted primarily by the amount of development costs being incurred in those periods as well as audit and legal fees incurred. The Company has no revenue from sales of its products since inception since its currently still in beta testing of its KleenHeat hydrogen system.

Results of Operations
Three Months Ended March 31, 2025 and 2024

For the three months ended March 31, 2025, the Company recorded a net loss and comprehensive loss for the period of $ 249,595 as compared to a net loss and comprehensive loss of $ $ 35,199 for the three months ended March 31, 2024.

The Company holds its excess cash in investments. During the three months ended March 31, 2025, the Company recorded interest income of $ 6,091 (2024- $ 12,494), dividend income of $ 49,039 (2024- $0.00), realized loss on sale of investments of $ 6,706 (2024- $0.00) and net change in unrealized losses on investments of $ 89,415 (2024-$ 0.00) representing in aggregate net finance loss of $40,991 as compared to finance income of $ 12,494 for the three months ended March 31, 2024.

For the three months ended March 31, 2025, total operating expenses was $208,604 as compared to $ 47,613 for the three months ended March 31, 2024

The following is the breakdown of the Company's total operating expenses for the three months ended March 31, 2025 and 2024. Details of the changes follow the table:

		2025	2024
Advertising and promotion	(a)	74,190	0
Developments costs	(b)	37,764	33,482
Professional fees	(C)	58,473	0
Rental	(d)	3,750	3,750
Office	(E)	26,823	2,871
Amortization		7,604	7,510
		208,604	**47,613**

(a) Advertising and promotion increased by $ 74,190 for the three months ended March 31, 2025 as compared to the three months ended March 31, 2024. The increase relates to the hiring of a media and marketing consultant on a month to month basis as well as the development of marketing and media materials to introduce the consumer to the KleenHeat system.

(b) Development costs represents funds spent on engineering as well as the costs associated with supplies and materials in testing and development of the KleenHeat system as well as patent fees and costs. See details below for the breakdown of these costs for the three months ended March 31, 2025 and 2024.

Development costs are comprised of the following:

		2025		2024
Materials and supplies	$	3,974	$	3,482
Patent fees and costs		3,790		0
Consulting fees		30,000		30,000
	$	37,764	$	33,482

The "Kleen Heat" product prototype is considered complete subject to ongoing development including with regard to quality control (QC) and quality assurance (QA) which are fundamental to ensuring the reliability and performance of the Company's flagship product. Currently, the Company is in the state of undergoing phase of formal QC and QA incorporating procedures which adhere with ISO 9001 QMS.
These QC and QA protocols include rigorous functional testing to verify core features, and performance testing to assess gas production and stability during combustion. These processes are primarily conducted internally by the Company's engineering team and are designed to identify and rectify any defects or areas for improvement before broader release.

To date, the Company has also conducted 4 beta tests for the "Kleen Heat" product being functional testing, performance testing, usability testing and security testing. The primary objectives of these tests include monitoring the hydrogen gas production flow rate and the resulting heat energy from the combustion process as well as various other performance and safety measures.

The next steps to advance the "Kleen Heat" product to the commercialization stage are as follows:
- a second phase of beta testing with a larger user group, to be completed in the third quarter of 2025;
- TSSA certification expected by the end of 2025;
- ISO 14064 Green House Gas "GHG" emissions verification and validation followed by final performance optimization, both expected by the end of 2025;
- ESA and ULC certification expected by the end of 2025

The estimated costs for the next steps set forth above are approximately $200,000 for the certifications and approximately $ 185,000 for product development which includes material and supplies and engineering costs(consulting fees).

(c) Professional fees increased by $ 58,474 for the three months ended March 31, 2025, as compared to the three months ended March 31, 2024, mainly due to timing of costs incurred relating to legal costs and audit fees associated with the process of the proposed transaction to go public as described above and in note 12 of the financial statements as at March 31, 2025.

(d) The Company leases office space on a month to month basis from a company controlled by the CEO for $ 1,250 per month. There has been no change in this arrangement since fiscal 2022.

(e) Office expenses increased by $ 23,952 for the three months ended March 31, 2025 as compared to the three months ended March 31, 2024 mainly due to timing of office expenses incurred and broker fees paid to manage the investments of the company (approx. $11,000). As at March 31, 2024 the Company funds was not in managed accounts and therefore there was no broker fees paid.

Over the next twelve months following the successful completion of the RTO and the ongoing certifications of the KleanHeat system, the Company will be in development of a marketing and sales force to sell its KleanHeat system. The plans are being developed now and budgets are being prepared. As mentioned previously the Company has already spent approximately $ 75,000 on marketing. The Company estimates it will spend approximately $ 500,000 over the next six to twelve months in the development of a marketing and sales force. The Company is also planning to develop over the next twelve months a carbon credit software. This carbon credit software is a digital tool or platform designed to help organizations, governments, and us to track, manage, generate, trade or verify carbon credits. Carbon credits represent one metric ton of carbon dioxide (or equivalent greenhouse gas) that has been reduced or removed from the atmosphere. The Company believes it will spend approximately $ 150,000 over the next year in this development. In the future development of the KleenHeat system, the Company believes that an off grid battery system for the KleenHeat system would be an added benefit. Although the Company will start marketing its KleenHeat system without this battery system, it has set aside approximately $ 225,000 over the next twelve months to develop this off grid battery system.

Due to the nature of the green energy business, budgets are regularly reviewed with respect to both the success of the commercialization of new products and other opportunities which may become available to the Company on a going forward basis. Accordingly, as time progresses, the Company may alter its business objectives and/or may focus on other developments or opportunities that may arise from time to time, although the Company has no present plans in this respect.

Cash Flows
Three months ended March 31, 2025 and 2024

During the three months ended March 31, 2025 , the Company used net cash of $175,144 from its operating activities (March 31, 2024 – $58,437 used in operating activities).

During the three months ended March 31, 2025, the Company used net cash of $118,440 in financing activities (March 31, 2024 - $0.00 in financing activities). During the three months ended March 31, 2025, the Company received proceeds of $20,000 from the issuance of 20,000 Class B non voting shares under private placement offerings (March 31, 2024- Nil). The Company also repaid $ 138,440 in advances from Carpenter House a related party described elsewhere in this MD&A

During the three months ended March 31, 2025, the Company generated net cash of $55,342 in investing activities as compared to $16,792 for the three months ended March 31, 2024. Investing activities for the three months ended March 31, 2025 were as follows: Purchase of investments in the amount of $ 909,233 (2024- Nil); proceeds on sale of investments in the amount of $ 906,726 (2024-Nil); and the receipt of interest income and dividend income on those investments in the amount of $ 57,849 (2024-$16,792).

For the three months ended March 31, 2025, the Company had a net decrease in cash of $238,242 (March 31, 2024, - $41,645 decrease in cash) leaving a cash balance of $141,172 as at March 31, 2025, (March 31, 2024, - $658,599).

Liquidity and Capital Resources

Statement of financial position highlights	March 31, 2025	31-Dec 2024
Cash	$141,172	$379,414
Investments	4,922,270	5,015,884
Total assets	5,273,315	5,650,831
Total Liabilities	68,112	216,033
Share Capital	6,628,010	6,608,010
Reserves	1,514,000	1,514,000
Deficit	(2,936,807)	(2,687,212)

Total liabilities as at March 31, 2025 were $68,112 which is a $147,921 decrease from December 31, 2024. The decrease mainly relates to the repayment of advances from related party as mentioned above.

The Company's cash and investments as at September 30, 2024, are sufficient to meet the Company's Total liabilities which are all current.

Subsequent to March 31, 2025 , the Company issued 40,000 Class B shares for $ 40,000.

The Company continues to have no long-term debt. The Company's ability to access the debt and equity markets when required will depend upon factors beyond its control, such as economic and political conditions that may affect the capital markets generally. On average the Company anticipates working capital requirements of approximately $70,000 per month to cover ongoing development and operating expenses prior to any RTO transaction (see caption "Nature of Business").

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) The Company rents its office space from Carpenter House Consulting Group Inc, on a month-by-month basis. Rent paid to Carpenter House totaled $3,750 for the three months ended March 31, 2025 (2024 - $3,750). Carpenter House is a company controlled by the President and CEO of Kleen.

(b) Advances (and repyments) from related parties are described in note 5 of the condensed interim financial statements of the Company for the period ending March 31, 2025.

(c) No compensation was paid to key management personnel for the three months ended March 31, 2025 and 2024.

Off-Balance Sheet Arrangement

As at March 31, 2025, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Kleen.

Management of Capital

The Company includes the following in its managed capital:

	March 31,2025	December 31, 2024
Class A share capital	$ 100	$ 100
Class B share capital	6,627,910	6,607,910
Reserves	1,514,000	1,514,000
Deficit	(2,936,807)	(2,687,212)
	$ 5,205,203	$ 5,434,798

There were no changes in the Company's approach to capital management during the three months ended March 31, 2025

The Company's objectives in managing capital are to:

(a) Ensure the Company maintains the minimum level of capital required to effectively operate its business;
(b) Ensure the Company's ability to provide capital growth to its shareholders; and
(c) Maintain a flexible structure that optimizes the cost of capital at acceptable levels of risk.

To maintain its capital structure, the Company keeps all of its assets in very liquid form. The Company's primary sources of capital were proceeds from the issuance of shares. There were no changes in the Company's approach to capital management during the periods presented. The Company are not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its liabilities as at March 31, 2025.

Management of Financial Risks

Fair Values

The Company's financial instruments consist of cash, investments, interest receivable, promissory note receivable, accounts payable and accrued liabilities, and advances from related party. The fair values of these instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures. As at March 31, 2025, the Company has liabilities of $68,112 due within twelve months and has cash and investments of $5,063,442 to meet its current obligations (December 31, 2024 - current liabilities of $216,033 and cash and investments of $5,395,298). Management has judged liquidity risk to be low. There have been no changes to the Company's liquidity risk management policies since December 31, 2024.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. Cash and money market investments are the Company's largest exposure to credit risk, and management considers these to be low, due to the high credit ratings of the financial institutions and governments who are the counterparties.

The allowance for doubtful accounts and bad debts expense are $Nil as at and for the periods ended March 31, 2025 and 2024. Management has judged credit risk to be low. There have been no changes to the Company's credit risk management policies since December 31, 2024.

The Company's maximum exposure to credit risk is presented below.

	March 31, 2025	December 31, 2024
Cash and deposits		
Cash	$ 141,172	$ 379,414
Investments	959,954	1,062,604
	1,101,126	1,442,018
Loans and receivables		
Interest receivable	-	2,719
Promissory note receivable	45,000	45,000
Sales taxes recoverable	23,696	59,033
	68,696	106,752
	$ 1,169,822	$ 1,548,770

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. Market risk is comprised of price risk, foreign currency risk, and interest rate risk. The Company is not significantly exposed to foreign currency risk or interest rate risk as it has no variable interest-bearing financial assets or liabilities. The Company's exposure to price risk is described in more detail below.

Price Risk

Price risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in stock or bond market prices. The Company is exposed to market price fluctuations on its investments in equities and mutual funds, for which total exposure is $3,962,316 as at March 31, 2025 (2024 - $3,953,280). Price fluctuations on money market investments are not significant. Management has judged price risk to be low. There have been no changes to the Company's price risk management policies since December 31, 2024.

A sensitivity analysis of the impact on net loss and comprehensive loss for changes in the market prices of investments in equities and mutual funds is presented below:

	March 31, 2025	December 31, 2024
Favourable by 4%	$ 158,493	$ 158,131
Favourable by 2%	79,246	79,066
No change	-	-
Unfavourable by 2%	(79,246)	(79,066)
Unfavourable by 4%	(158,493)	(158,131)

Material Accounting Policies

The same accounting policies and methods of computation were followed in the preparation of the Interim Statements as were followed in the preparation and as described in Note 3 of the annual audited financial statements as at and for the year ended December 31, 2024.

Critical Accounting Estimates

The preparation of the Interim Consolidated Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Interim Consolidated Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's Interim Statements include the, the valuation related to the Company's deferred tax assets ("DTA") and deferred tax liabilities ("DTL"), and the Company's estimate of inputs for the calculation of the fair value of stock-based compensation expense.

Deferred tax assets:

Deferred tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

DTL are recognized for all taxable temporary differences and DTA are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. The Company does not record DTA to the extent that it considers it is not more likely than not that deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.

Management determined, based upon expectations for future taxable income, that there is uncertainty if the Company will be able to realize the tax benefits of the DTA during the next several years and therefore has determined not to record any DTA.

Stock-based Compensation Expense:

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense and the fair value of the warrants and broker warrants issued under the Company's private placements. The model requires six key inputs: exercise price, market price at date of issue, risk free interest rate, expected dividend yield, expected life, and expected volatility. The first three inputs are facts rather than estimates, while the expected life, expected volatility, and expected dividend yield (estimated at 0% based on the Company's history of not paying any dividends) are based on the Company's estimates. A shorter expected life of the option, lower volatility number, or higher dividend yield used would result in a decrease in stock-based compensation expense. A longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

During the Three months ended March 31, 2025 and 2024 the Company granted Nil stock options.

The Company had the following stock options outstanding as at March 31, 2025

Number of Options Outstanding	**Number of Options Exercisable**	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining Contractual Life**
15,000,000	15,000,000	$0.05	December 31, 2026	1.75 years

Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company issued and outstanding and the number of common shares issuable pursuant to other outstanding securities of Kleen are as follows:

	Number of securities outstanding	Number of securities exercisable
Class A voting common shares outstanding	10,000,000	10,000,000
Class B non voting common shares outstanding	85,042,220	85,042,220
Stock Options exercisable into Class B shares	15,000,000	15,000,000
Warrants exercisable into Class B shares (a)	4,000,000	4,000,000
Fully Diluted common shares outstanding and exercisable	**114,042,220**	**114,042,220**

(a) Warrants are exercisable into Class B non voting common shares at a price of $1.00 per warrant and expires in December 2029.

Refer to Note 6 of the notes to the interim condensed Financial Statements for details of the Company's share capital as at March 31, 2025

Additional Information

Additional information relating to Kleen may be found on the Company's website at www.kleenh2.com

SCHEDULE "C"

Charter of the Audit Committee of the Board of Directors of Kleen HY-DRO-GEN Inc.

I. PURPOSE

The Audit Committee (the "**Committee**") will consist of a majority of independent directors and is appointed by the Board of Directors (the "**Board**") of Kleen HY-DRO-GEN Inc. (the "**Corporation**") to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The Committee's primary duties and responsibilities are to:

- conduct such reviews and discussions with management and the independent auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel;
- review the quarterly and annual financial statements and management's discussion and analysis of the Corporation's financial position and operating results and report thereon to the Board for approval of same;
- select and monitor the independence and performance of the Corporation's outside auditors (the "**Independent Auditors**"), including attending at private meetings with the Independent Auditors and reviewing and approving all renewals or dismissals of the Independent Auditors and their remuneration; and
- provide oversight to related party transactions entered into by the Corporation.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the Independent Auditors as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties. The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval. In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part IV of this Charter.

II. AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for advisors employed by the Committee; and

(c) communicate directly with the internal and external auditors.

III. COMPOSITION AND MEETINGS

1. The Committee and its membership shall meet all applicable legal and listing requirements, including, without limitation, those of the Canadian Securities Exchange, applicable corporate law and all applicable securities regulatory authorities.

2. The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair.

3. Each member of the Committee shall be "financially literate" (as defined by applicable securities laws and regulations).

4. The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two of the members of the Committee present either in person or by telephone shall constitute a quorum.

5. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.

6. If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

7. The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by, the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours' notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

8. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

9. The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

10. The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as it may see fit, from time to time, to attend at meetings of the Committee.

11. The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

12. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. All decisions or recommendations of the Audit Committee shall require the approval of the Board prior to implementation.

IV. RESPONSIBILITIES

A. Financial Accounting and Reporting Process and Internal Controls

1. The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with applicable Canadian accounting standards and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review and approve the interim financial statements. With respect to the annual and interim financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the Independent Auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.

2. The Committee shall review management's internal control report and the evaluation of such report by the Independent Auditors, together with management’s response.

3. The Committee shall review the financial statements, management’s discussion and analysis relating to annual and interim financial statements, annual and interim earnings press releases and any other public disclosure documents that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information.

4. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than the public disclosure referred to in subsection IV.A.3, and periodically assess the adequacy of these procedures.

5. The Committee shall meet no less frequently than annually with the Independent Auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief

Financial Officer, with the officer of the Corporation in charge of financial matters, deems appropriate.

6. The Committee shall inquire of management and the Independent Auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management has taken to minimize such risks.

7. The Committee shall review the post-audit or management letter containing the recommendations of the Independent Auditors and management's response and subsequent follow-up to any identified weaknesses.

8. The Committee shall ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel.

9. The Committee shall establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

10. The Committee shall provide oversight to related party transactions entered into by the Corporation.

B. Independent Auditors

1. The Committee shall be directly responsible for the selection, appointment, compensation and oversight of the Independent Auditors and the Independent Auditors shall report directly to the Committee.

2. The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.

3. The Committee shall pre-approve all audit and non-audit services (including, without limitation, the review of any interim financial statements of the Corporation by the Independent Auditors at the discretion of the Committee) not prohibited by law to be provided by the Independent Auditors.

4. The Committee shall monitor and assess the relationship between management and the Independent Auditors and monitor, confirm, support and assure the independence and objectivity of the Independent Auditors. The Committee shall establish procedures to receive and respond to complaints with respect to accounting, internal accounting controls and auditing matters.

5. The Committee shall review the Independent Auditor's audit plan, including scope, procedures and timing of the audit.

6. The Committee shall review the results of the annual audit with the Independent Auditors, including matters related to the conduct of the audit, and receive and review the auditor’s interim review reports.

7. The Committee shall obtain timely reports from the Independent Auditors describing critical accounting policies and practices, alternative treatments of information within applicable Canadian accounting principles that were discussed with management, their ramifications, and the Independent Auditors' preferred treatment and material written communications between the Corporation and the Independent Auditors.

8. The Committee shall review fees paid by the Corporation to the Independent Auditors and other professionals in respect of audit and non-audit services on an annual basis.

9. The Committee shall review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.

10. The Committee shall monitor and assess the relationship between management and the external auditors, and monitor and support the independence and objectivity of the external auditors.

C. Other Responsibilities

1. The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.