# MICRON WASTE TECHNOLOGIES INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

Smythe CPA

## INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF MICRON WASTE TECHNOLOGIES INC.

We have audited the accompanying financial statements of Micron Waste Technologies Inc., which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year ended December 31, 2016 and the period from inception date of July 20, 2015 to December 31, 2015 and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*
Management is responsible for the preparation and fair presentation of these 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.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of Micron Waste Technologies Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the for the year ended December 31, 2016 and the period from inception date of July 20, 2015 to December 31, 2015 in accordance with International Financial Reporting Standards.

*Emphasis of Matter*
Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
July 12, 2017

**MICRON WASTE TECHNOLOGIES INC.**

Statements of Financial Position
(Expressed in Canadian dollars)

| | Note | | December 31, 2016 | | December 31, 2015 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets | | | | | |
| Cash | | $ | 33,095 | $ | 29,841 |
| Goods and services tax receivable | | | 12,287 | | 2,694 |
| Total current assets | | | 45,382 | | 32,535 |
| Non-current assets | | | | | |
| Property and equipment | 3 | | 4,284 | | 5,347 |
| Development assets | 4 | | 120,620 | | 56,877 |
| Total assets | | $ | 170,286 | $ | 94,759 |
| **LIABILITIES** | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | | $ | 124,078 | $ | 53,650 |
| Due to related party | 6 | | 278,000 | | - |
| Total current liabilities | | | 402,078 | | 53,650 |
| Total liabilities | | | 402,078 | | 53,650 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | | |
| Share capital | 5 | | 100,000 | | 100,000 |
| Deficit | | | (331,792) | | (58,891) |
| Total shareholders' equity (deficiency) | | | (231,792) | | 41,109 |
| Total liabilities and shareholders' equity (deficiency) | | $ | 170,286 | $ | 94,759 |

Approved on behalf of the Board:

Alfred Wd — Director

Director

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

## MICRON WASTE TECHNOLOGIES INC.

Statements of Comprehensive Loss
(Expressed in Canadian dollars)

| | Note | Year ended December 31, 2016 | From inception date of July 20, 2015 to December 31, 2015 |
|---|---|---|---|
| Expenses | | | |
| Amortization | | $ 1,491 | $ 701 |
| Business development | | 5,577 | 4,722 |
| Consulting fees | 6 | 216,667 | 50,000 |
| Office and miscellaneous | | 3,453 | 3,468 |
| Professional fees | 6 | 14,029 | - |
| Repairs and maintenance | | 19,458 | - |
| Shipping, freight and delivery | | 8,114 | - |
| Subcontract | | 1,000 | - |
| Supplies | | 3,112 | - |
| Net loss and comprehensive loss | | $ 272,901 | $ 58,891 |
| Net loss per share, basic and diluted | | $ 0.14 | $ 0.03 |
| Weighted average number of common shares outstanding | | 2,000,000 | 2,000,000 |

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

**MICRON WASTE TECHNOLOGIES INC.**
Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

| | Share capital | | | |
|---|---|---|---|---|
| | Number of shares | Amount | Deficit | Total |
| Balance, July 20, 2015 | - | - | - | - |
| Common shares issued at inception | 2,000,000 | $ 100,000 | $ - | $ 100,000 |
| Net loss and comprehensive loss | - | - | (58,891) | (58,891) |
| Balance, December 31, 2015 | 2,000,000 | 100,000 | (58,891) | 41,109 |
| Net loss and comprehensive loss | - | - | (272,901) | (272,901) |
| Balance, December 31, 2016 | 2,000,000 | $ 100,000 | $ (331,792) | $ (231,792) |

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

## MICRON WASTE TECHNOLOGIES INC.

Statements of Cash Flows
(Expressed in Canadian dollars)

| | Year ended December 31, 2016 | From inception date of July 20, 2015 to December 31, 2015 |
|---|---|---|
| Cash Provided By (Used In) | | |
| Operating Activities | | |
| Net loss and comprehensive loss | $ (272,901) | $ (58,891) |
| Items not affecting cash: | | |
| Amortization | 1,491 | 701 |
| Changes in non-cash working capital: | | |
| Goods and services tax receivable | (9,593) | (2,694) |
| Accounts payable and accrued liabilities | 70,428 | 53,650 |
| Net cash used in operating activities | (210,575) | (7,234) |
| Investing Activities | | |
| Property and equipment | (428) | (6,048) |
| Development assets | (63,743) | (56,877) |
| Net cash used in investing activities | (64,171) | (62,925) |
| Financing Activities | | |
| Proceeds from issuance of common shares | - | 100,000 |
| Advances from related party | 278,000 | - |
| Net cash provided by financing activities | 278,000 | 100,000 |
| Increase in cash | 3,254 | 29,841 |
| Cash, beginning of period | 29,841 | - |
| Cash, end of period | $ 33,095 | $ 29,841 |

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

## 1. Nature of operations and going concern

Micron Waste Technologies Inc. (the “Company”) was incorporated as Effluent Water Technologies Inc. under the *Business Corporations Act* of British Columbia, Canada on July 20, 2015. On November 15, 2016, the Company changed its name to Micron Waste Technologies Inc. The head office, principal address and records office of the Company are located at Suite 919 – 700 West Pender Street, Vancouver, BC, V6C 1G8.

The principal business of the Company is to offer and deliver integrated, cost effective and environmentally sound organic waste management systems to food retailers in Canada. The Company has developed a patented technology (note 10) that transforms organic waste into clean water that meets municipal effluent discharge standards.

These financial statements have been prepared with the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to meet its obligations and maintain its current operations through the ensuing twelve-month period and thereafter is contingent upon successful completion of additional financing arrangements and ultimately upon generating profitable operations. There can be no assurance that management’s plan will be successful.

The Company's future capital requirements will depend on many factors, including the costs of developing its systems, operating costs, the current capital market environment and global market conditions. As at December 31, 2016, the Company has a working capital deficiency of $356,696 (2015 - $21,115) and a cumulative deficit of $331,792 (2015 - $58,891). Consequently, there is a material uncertainty that casts significant doubt on the Company’s ability to continue as a going concern.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

## 2. Significant Accounting Policies

<u>Statement of compliance</u>

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

These financial statements are authorized for issue by the Board of Directors on July 12, 2017.

The financial statements of the Company have been prepared on the historical cost basis, except for certain financial instruments which are stated at their fair values. These financial statements are prepared on an accrual basis, except for cash flow information. The Company’s functional and presentation currency is the Canadian dollar.

<u>Significant accounting judgments, estimates and assumptions</u>

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses.

## 2. Significant Accounting Policies (Continued)

Significant accounting judgments, estimates and assumptions (continued)

*Significant Accounting Judgments*

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

1) Deferred Income Taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

2) Going Concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

3) Development Assets

The application of the Company's accounting policy for development assets requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If new information suggests future economic benefits are unlikely, the amount capitalized in excess over the recoverable value is written off to profit or loss in the period the new information becomes available.

*Significant Accounting Estimates and Assumptions*

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. Estimates in the current year include completeness of accrued liabilities and amortization rates for equipment.

## 2. Significant Accounting Policies (Continued)

Foreign currency translation

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange gains and losses arising on translation are recognized in profit or loss.

Property and equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

The Company utilizes the declining-balance method of amortization. The amortization rates applicable to each category of property, equipment and development assets are as follows:

| | |
|---|---|
| Computer equipment | 30% |
| Furniture | 20% |

Development assets

Development assets include costs associated with the Company's internally developed machines, which are measured at cost less accumulated amortization and accumulated impairment losses. Costs include equipment, tools and systems that are purchased or developed to build the development assets.

Development assets are amortized at 30% using the declining-balance method. Amortization is not considered for development assets when not in use.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Any impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## 2. Significant Accounting Policies (Continued)

Share capital

The Company records proceeds from the issuance of its common shares as equity. Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between the common share and warrant component using the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve.

If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes option pricing model and recognized in equity as an increase in warrant reserve with a corresponding deduction from the proceeds.

Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred from warrant reserve to share capital. If warrants expire unexercised, the related fair value remains in warrant reserve.

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date of grant.

Earnings (loss) per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred, as the effect is anti-dilutive.

Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

**2. Significant Accounting Policies (Continued)**

Deferred income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the financial instrument was required. The Company's accounting policy for each category is as follows:

*Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument.

*Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity. They are measured at amortized cost using the effective interest method less any impairment loss. A gain or loss is recognized in net income when the financial asset is derecognized or impaired, and through the amortization process.

## 2. Significant Accounting Policies (Continued)

Financial instruments (Continued)

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or FVTPL. They are measured at fair value. Fair value is determined based on market prices. Equity instruments that do not have a quoted market price in an active market are measured at cost. Gains and losses are recognized directly in other comprehensive income until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net income for the year.

*Loans and receivables*

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

ii) Financial liabilities

Financial liabilities are classified as other financial liabilities or FVTPL, based on the purpose for which the liability was incurred.

*FVTPL*

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

*Other financial liabilities*

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amount originally received, net of transaction costs, and the maturity amount is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

## 2. Significant Accounting Policies (Continued)

Financial instruments (Continued)

The Company has classified its financial instruments as follows:

- Cash is classified as FVTPL; and
- Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

The fair values of cash, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the short-term maturity of these instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

New and revised IFRS issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. Management is currently evaluating the impact of these standards.

*New accounting standards effective December 1, 2016*

Disclosure Initiative (Amendments to IAS 1 *Presentation of Financial Statements*)

The amendments:

- Clarify the existing presentation and disclosure requirements in IAS 1, including the presentation of line items, subtotals and notes; and
- Provide guidance to assist entities to apply judgment in determining what information to disclose, and how that information is presented in their financial statements.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

This standard is effective to the Company’s annual period beginning January 1, 2017.

## 2. Significant Accounting Policies (Continued)

New and revised IFRS issued but not yet effective (Continued)

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

This standard is effective to the Company's annual period beginning January 1, 2017.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

This standard is effective to the Company's annual period beginning January 1, 2018.

## 2. Significant Accounting Policies (Continued)

New and revised IFRS issued but not yet effective (Continued)

IFRS 15 *Revenue from Contracts with Customers*

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Revenue is recognized based on a five-step model:
    1. Identify the contract with customer;
    2. Identify the performance obligations;
    3. Determine the transaction price;
    4. Allocate the transaction price to the performance obligations; and,
    5. Recognize revenue when (or as) the performance obligations are satisfied.
- New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The new standard is effective to the Company's annual period beginning January 1, 2018.

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

This standard is effective to the Company's annual period beginning January 1, 2019.

(EXPRESSED IN CANADIAN DOLLARS)

## 3. Property and equipment

| | Furniture | Computer equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at July 20, 2015 | $ - | $ - | $ - |
| Additions | 4,116 | 1,932 | 6,048 |
| Balance at December 31, 2015 | 4,116 | 1,932 | 6,048 |
| Additions | - | 428 | 428 |
| Balance at December 31, 2016 | $ 4,116 | $ 2,360 | $ 6,476 |
| **Accumulated Amortization** | | | |
| Balance at July 20, 2015 | $ - | $ - | $ - |
| Amortization expense | 411 | 290 | 701 |
| Balance at December 31, 2015 | 411 | 290 | 701 |
| Amortization expense | 741 | 750 | 1,491 |
| Balance at December 31, 2016 | $ 1,152 | $ 1,040 | $ 2,192 |
| **Carrying Amounts** | | | |
| December 31, 2015 | $ 3,705 | $ 1,642 | $ 5,347 |
| December 31, 2016 | $ 2,964 | $ 1,320 | $ 4,284 |

## 4. Development assets

| | |
|---|---|
| **Cost** | |
| Balance at July 20, 2015 | $ - |
| Additions | 56,877 |
| Balance at December 31, 2015 | 56,877 |
| Additions | 63,743 |
| Balance at December 31, 2016 | $ 120,620 |
| **Carrying Amounts** | |
| December 31, 2015 | $ 56,877 |
| December 31, 2016 | $ 120,620 |

(EXPRESSED IN CANADIAN DOLLARS)

## 5. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

As at December 31, 2016, there were 2,000,000 common shares issued and outstanding. There were no common share issuances during the year ended December 31, 2016.

During the period ended December 31, 2015, the Company issued 2,000,000 common shares with a fair value of $0.05 per share.

## 6. Related party transactions

The amounts due to related parties are due to the directors and officers of the Company. The balances are unsecured, non-interest-bearing and have no specific terms for repayment. These transactions are in the normal course of operations and recorded in these financial statements at the fair value of services performed.

As at December 31, 2016, $278,000 (2015 - $nil) was due to directors and officers of the Company.

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Amount due to a company with directors in common | $ 275,000 | $ - |
| Company controlled by CFO | 3,000 | - |
| | $ 278,000 | $ - |

During the year ended December 31, 2016 and the period ended December 31, 2015, the Company entered into the following transactions with related parties:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Consulting fees | $ 166,667 | $ - |
| Accounting fees | 3,000 | - |
| | $ 169,667 | $ - |

The above consulting fees were paid to companies with common directors, and the above accounting fees were paid to a company owned by the CFO of the Company.

During the period ended December 31, 2015, the Company issued 2,000,000 common shares to the directors and officers of the Company (note 5).

## 7. Capital management

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the development of its projects and products; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

(EXPRESSED IN CANADIAN DOLLARS)

## 7. Capital management (Continued)

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. 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. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets.

## 8. Financial instruments and risk management

Fair value of financial instruments

The following table outlines the Company's financial instruments measured at fair value by level with the fair value hierarchy described in note 2. Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

As at December 31, 2016 and 2015, the Company's financial instruments measured at fair value are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| December 31, 2016 | | | | |
| Cash | 33,095 | - | - | 33,095 |
| Due to related party | 278,000 | - | | 278,000 |
| Accounts payable and accrued liabilities | 124,078 | - | - | 124,078 |
| Total | 435,173 | - | - | 435,173 |
| | | | | |
| December 31, 2015 | | | | |
| Cash | 29,841 | - | - | 29,841 |
| Accounts payable and accrued liabilities | 53,650 | - | - | 53,650 |
| | 83,491 | - | - | 83,491 |

Financial instrument risks

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and currency risk.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit concentration risk by holding cash. This risk is minimized by holding its cash in large Canadian financial institutions.

## 8. Financial instruments and risk management (Continued)

b) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Any interest earned on cash is at nominal interest rates, and therefore the Company does not consider interest rate risk to be significant.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due.

As at December 31, 2016, the Company had cash of $33,095 (2015 - $29,841) and working capital deficit of $356,696 (2015 - $21,115). Subsequent to December 31, 2016, the Company received cash through private placements (note 10) with which it is able to settle accounts payable of $124,078 (2015 - $53,650), which fall due for payment within twelve months of the statement of financial position date.

d) Currency risk

Currency risk is the risk to the Company's expenses that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. At December 31, 2016, the Company's cash and accounts payables is held in Canadian dollars, and accordingly, the Company is not exposed to foreign currency risk.

e) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

(EXPRESSED IN CANADIAN DOLLARS)

## 9. Income taxes

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2015 - 26.00%) to loss before income taxes.

| | 2016 | 2015 |
|---|---|---|
| Loss for the year | $ (272,901) | $ (58,891) |
| Statutory income tax rate | 26% | 26% |
| Expected income tax recovery | $ (71,000) | $ (15,000) |
| Non-deductible recoveries and other | (1,000) | (1,000) |
| Change in unrecognized deductible temporary differences | 72,000 | 16,000 |
| Total income tax expense | $ - | $ - |

As at December 31, 2016, the Company has unrecognized tax losses of $331,000 for which no deferred tax asset is recognized.

The Company's unrecognized unused non-capital losses have the following expiry dates:

| | |
|---|---|
| 2035 | $ 58,000 |
| 2036 | 273,000 |
| | $ 331,000 |

## 10. Subsequent events

i) On April 13, 2017, the Company issued 11,250,000 units at a price of $0.05 per unit for net proceeds of $162,500. The units are comprised of one common share and one transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of five years at a price of $0.25.

Included in the above is 8,000,000 units which were issued to settle amounts due to related parties.

ii) On May 1, 2017, the Company issued 4,000,000 units at a price of $0.10 per unit to acquire the patent, developed by a director of the Company. The units are comprised of one common share and one transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of five years at a price of $0.25.

iii) On May 1, 2017, the Company issued 1,100,000 units at a price of $0.10 per unit. The units are comprised of one common share and one transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company at a price of $0.25 for a period of two years from the issuance date.

## 10. Subsequent events (Continued)

iv) On June 1, 2017, the Company closed a private placement for 10,527,000 units of the Company at a price of $0.25 per unit. The units are comprised of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company for a period of two years at an exercise price of $0.50. In connection with the private placement, finders' fees of $41,800 and 167,200 warrants were issued to a third party.

v) On June 2, 2017, the Company entered into an Amalgamation Agreement (the "Agreement") with Finore Mining Inc. ("Finore"), a company, trading on the Canadian Stock Exchange (the "CSE") under the trading symbol "FIN". The Agreement is structured as a three-cornered amalgamation whereby the Company will amalgamate with a newly incorporated British Columbia subsidiary of Finore, and all the issued and outstanding shares of the Company (the "Micron Shares") will be exchanged for common shares of Finore (the "Finore shares") with the Company becoming a subsidiary of Finore (the "Proposed Transaction"). Following the completion of the Proposed Transaction all of the securityholders of the Company will become security holders of Finore. The acquisition will be accounted for as a reverse takeover, whereby the Company will be identified as the acquirer for accounting purposes. The Proposed Transaction is subject to, among other things, receipt of the approval of the shareholders of the Company, approval of the CSE, and standard closing conditions.

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