

**MICRON WASTE TECHNOLOGIES INC.  
(FORMERLY FINORE MINING INC.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(Expressed in Canadian dollars)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim financial statements they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

**MICRON WASTE TECHNOLOGIES INC.**  
**(FORMERLY FINORE MINING INC.)**  
**Unaudited Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

	Notes	March 31, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 6,746,766	\$ 4,577,910
Marketable securities and investments	4	295,024	-
Accounts receivable		112,227	62,411
Prepaid expenses	5	208,422	178,330
Asset held for sale	6	-	389,150
<b>Total current assets</b>		<b>7,362,439</b>	<b>5,207,801</b>
<b>Non-current assets</b>			
Deposits	5	7,500	7,500
Property and equipment	7	93,338	13,280
Development assets	8	240,683	146,425
Deferred assets	9	405,582	405,582
<b>Total non-current assets</b>		<b>747,103</b>	<b>572,787</b>
<b>TOTAL ASSETS</b>		<b>\$ 8,109,542</b>	<b>\$ 5,780,588</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 87,533	\$ 56,997
Accounts payable for asset held for sale	6	-	61,725
<b>Total liabilities</b>		<b>87,533</b>	<b>118,722</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	10	15,080,208	11,972,859
Subscription received	10	10,000	12,500
Reserves	10	2,317,953	2,444,709
Deficit		(9,386,152)	(8,768,202)
<b>Total shareholders' equity (deficiency)</b>		<b>8,022,009</b>	<b>5,661,866</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$ 8,109,542</b>	<b>\$ 5,780,588</b>

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

Approved and authorized for issue by the Board of Directors on May 29, 2018.

*"Rav Mlait"*

Rav Mlait, Director

*"Kal Malhi"*

Kal Malhi, Director

**MICRON WASTE TECHNOLOGIES INC.  
(FORMERLY FINORE MINING INC.)**

**Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**  
(Expressed in Canadian Dollars)

Three Months ended March 31	Note	2018	2017
<b>General and Administrative Expenses</b>			
Amortization	7	\$ 3,013	\$ 247
Business development		130,411	171
Consulting fees	11	170,813	92,500
Office and general		43,795	11,392
Professional fees		42,179	15,100
Research expenses		13,188	7,878
Share-based payment	10	142,935	-
Transfer agent and filing fees		62,423	-
Loss from operations		608,757	127,288
Interest income		(15,214)	-
Foreign exchange gain		(7,994)	-
Loss on held for trading investments	4	32,401	-
<b>Loss and comprehensive loss for the period</b>		<b>617,950</b>	<b>127,288</b>
<b>Loss per share, basic and diluted</b>		<b>\$ 0.01</b>	<b>\$ 0.06</b>
<b>Weighted average number of common shares outstanding</b>		<b>68,331,235</b>	<b>2,000,000</b>

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

**MICRON WASTE TECHNOLOGIES INC.**  
**(FORMERLY FINORE MINING INC.)**  
**Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Issue Costs	Option Reserve	Warrant Reserve	Share Subscription	Deficit	<b>Total</b>
<b>Balance – December 31, 2016</b>	<b>2,000,000</b>	<b>\$ 100,000</b>	-	\$ -	\$ -	\$ -	\$ (331,792)	\$ (231,792)
Subscription received – units	-	-	-	-	-	1,458,150	-	1,458,150
Loss and comprehensive loss for the period	-	-	-	-	-	-	(127,288)	(127,288)
<b>Balance – March 31, 2017</b>	<b>2,000,000</b>	<b>\$ 100,000</b>	-	\$ -	\$ -	\$ 1,458,150	\$ (459,080)	\$ 1,099,070
<b>Balance – December 31, 2017</b>	<b>61,339,398</b>	<b>\$ 12,065,178</b>	<b>\$ (92,319)</b>	<b>\$ 961,560</b>	<b>\$ 1,483,149</b>	<b>\$ 12,500</b>	<b>\$ (8,768,202)</b>	<b>\$ 5,661,866</b>
Shares issued for cash	6,790,000	2,308,600	(2,126)	-	-	-	-	2,306,474
Shares issued – warrants exercised	2,255,167	448,684	-	-	-	(12,500)	-	436,184
Reclassification from warrant reserve to share capital	-	188,313	-	-	(188,313)	-	-	-
Shares issued – options exercised	275,000	82,500	-	-	-	-	-	82,500
Reclassification from option reserve to share capital	-	81,378	-	(81,378)	-	-	-	-
Subscription received – warrants	-	-	-	-	-	10,000	-	10,000
Share-based compensation	-	-	-	142,935	-	-	-	142,935
Loss and comprehensive loss for the period	-	-	-	-	-	-	(617,950)	(617,950)
<b>Balance – March 31, 2018</b>	<b>70,659,565</b>	<b>\$ 15,174,653</b>	<b>(94,445)</b>	<b>\$ 1,023,117</b>	<b>\$ 1,294,836</b>	<b>\$ 10,000</b>	<b>\$ (9,386,152)</b>	<b>\$ 8,022,009</b>

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

**MICRON WASTE TECHNOLOGIES INC.**  
**(FORMERLY FINORE MINING INC.)**  
**Unaudited Condensed Interim Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

Three Months ended March 31	2018	2017
<b>Operating Activities</b>		
Net loss for the period	\$ (617,950)	\$ (127,288)
<b>Items not involving the use of cash</b>		
Amortization	3,013	247
Share-based payment	142,935	-
Unrealized foreign exchange loss	(9,912)	-
Loss on held for trading investments	32,401	-
<b>Changes in non-cash working capital</b>		
Increase in accounts receivable	(49,816)	(6,038)
Increase in prepaid expenses	(30,092)	-
Increase in accounts payable and accrued liabilities	30,536	(1,356)
Net cash used in operating activities	(498,885)	(134,435)
<b>Investing Activities</b>		
Additions to property and equipment	(83,071)	-
Additions to development assets	(94,258)	(3,849)
Net cash provided by (used in) investing activities	(177,329)	(3,849)
<b>Financing Activities</b>		
Net proceeds from issuance of shares	2,306,474	-
Subscription received - warrants	10,000	1,458,150
Proceeds from warrants exercised	436,184	-
Proceeds from stock options exercised	82,500	-
Advances from related party	-	28,875
Net cash provided by financing activities from continuing operations	2,835,158	1,487,025
Foreign exchange effect on cash	9,912	-
Increase in cash and cash equivalents	2,168,856	1,348,741
Cash and cash equivalents, beginning of year	4,577,910	33,095
<b>Cash and cash equivalents, end of period</b>	<b>\$ 6,746,766</b>	<b>\$ 1,381,836</b>
<b>Supplemental cash flow information</b>		
Non-cash financing activities:		
Reclassification from warrants reserve to share capital	\$ 188,313	\$ -
Reclassification from options reserve to share capital	\$ 81,378	\$ -

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**MICRON WASTE TECHNOLOGIES INC.**  
**(FORMERLY FINORE MINING INC.)**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Micron Waste Technologies Inc., formerly Finore Mining Inc., (the “Company”, “Micron” or “Finore”), was incorporated on November 29, 2006 pursuant to the *Business Corporations Act*, British Columbia. The Company’s principal business activity was the exploration of exploration and evaluation assets. On September 26, 2011, the Company changed its name from Otterburn Ventures Inc. to Finore Mining Inc. and the Company’s common shares began trading on the Canadian National Stock Exchange, now known as Canadian Securities Exchange (“CSE”) under the symbol of “FIN.” Effective January 1, 2014, the Company ceased trading on the OTC market.

The head office, principal address and registered office of the Company are located at Suite 915, 700 West Pender Street, Vancouver, B.C., V6C 1G8.

On June 2, 2017, Finore and a private British Columbia company named Micron Waste Technologies Inc. (“Privateco”) entered into an Amalgamation Agreement (“Agreement”). Privateco was incorporated on July 20, 2015 as “Effluent Water Technologies Inc.” under the *Business Corporations Act*, British Columbia. On November 15, 2016, it changed its name to “Micron Waste Technologies Inc.”. The Agreement was structured as a three-cornered amalgamation whereby Privateco was amalgamated with a newly incorporated British Columbia subsidiary of Finore (“Subco”), forming Amalco. The amalgamation resulted in all the issued and outstanding shares of Privateco and Subco being exchanged for common shares of the Company.

The amalgamation transaction (the “Transaction”) was completed on October 19, 2017 (the “Transaction Date”). Upon completion of the Transaction, Finore completed a consolidation of the Finore Shares (the “Consolidation”) on the basis of one post-consolidated Finore Share (the “Resulting Issuer Share”, “New Micron Share”) for every two pre-consolidation Finore Shares and changed its name from “Finore Mining Inc.” to “Micron Waste Technologies Inc.” The shareholders of Privateco received one New Micron Share for each Privateco Share. The Company’s common shares began trading on the CSE on October 26, 2017 under the new symbol of “MWM”.

On December 5, 2017, Amalco changed its name to Micron Technologies Holding Inc. (“Micron Holding”).

Upon the completion of the Consolidation, 62,773,521 of Finore Shares were consolidated into 31,386,765 New Micron Shares. Pursuant to the Transaction, the Company issued to the shareholders of Privateco an aggregate of 28,877,000 New Micron Shares. On October 19, 2017, the Company had 60,263,765 New Micron Shares issued and outstanding, without giving effect to:

- (1) warrants to purchase 27,044,200 New Micron Shares pursuant to the outstanding common share warrants of Privateco (including 167,200 finders’ warrants);
- (2) warrants to purchase 17,404,870 New Micron Shares pursuant to the outstanding common share purchase warrants of Finore (the result of consolidating 34,809,739 Finore warrants on the basis of one New Micron warrant for every two pre-consolidation Finore warrants held.);
- (3) options to purchase 500,000 New Micron Shares pursuant to the outstanding stock option of Finore (the result of consolidating 1,000,000 Finore options on the basis of one New Micron option for every two pre-consolidation Finore options held).

The Transaction constituted a reverse takeover by Privateco. Consequently, the legal acquirer is the accounting acquirer and the historical results of operations are those of Privateco.

Prior to the Transaction, the Company was primarily engaged in the exploration for, and the development of, mineral properties with gold, copper, nickel, and other minerals.

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**1. NATURE OF OPERATIONS AND GOING CONCERN (continued)**

After the Transaction, the Company carries on the business of Privateco, as a technology company engaged in the development and commercialization of an on-site treatment system that can turn organic waste into clean water that meets municipal effluent discharge standards.

The Company has an accumulated deficit of \$9,386,152 (December 31, 2017 – \$8,768,202). These condensed interim consolidated financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. However, there are material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations and the ability of the Company to raise additional capital. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. The Company estimates it will have sufficient capital to continue operations for the upcoming year.

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. BASIS OF PRESENTATION**

**Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consisting with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

These condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended December 31, 2017, except that they do not include all the disclosures required for the annual audited financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements for the Company for year ended December 31, 2017.

**Approval of the condensed interim consolidated financial statements**

The condensed interim consolidated financial statements of the Company for the period ended March 31, 2018 were approved and authorized for issuance by the Board of Directors on May 29, 2018.



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**3. SIGNIFICANT ACCOUNTING POLICIES**

**Foreign currencies**

The Company's reporting and functional currency is the Canadian dollar ("CAD"). Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction, except amortization, which is translated at the rates of exchange applicable to the related assets. Monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined.

**Basis of Consolidation**

After the closing of the sale transaction of its Finnish subsidiary to Nickel One Resources Inc. on March 7, 2018, and as a result of the reverse acquisition described in note 4, the condensed interim consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Micron Holding. Subsidiaries are fully consolidated from the date of acquisition being the date that the Company obtains control. All intercompany transactions and balances have been eliminated on consolidation.

A wholly owned subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

**Use of Estimates and Judgements**

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis.

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in its audited consolidated financial statements for the year ended December 31, 2017.

**4. MARKETABLE SECURITIES AND INVESTMENTS**

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	<b>As at March 31, 2018</b>		
	<b>Cost</b>	<b>Unrealized gain / (loss)</b>	<b>Fair Value</b>
Nickel One Resources Inc. – Common Shares	\$ 275,000	\$ (25,000)	\$ 250,000
Nickel One Resources Inc. – Warrants	52,425	(7,401)	45,204
	\$ 327,425	\$ (32,401)	\$ 295,024

As at March 31, 2018, the Company held 5,000,000 (December 31, 2017 – nil) shares and 2,500,000 warrants received from Nickel One Resources Inc. ("Nickel One") in connection with the sale transaction of the Company's Finnish subsidiary to Nickel One (note 6).

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**5. PREPAID EXPENSES AND DEPOSITS**

	December 31, 2018	December 31, 2017
Business development / Marketing	\$ 5,000	\$ 88,679
Consulting fees	69,000	-
Deposit – Development Costs	111,666	8,666
Deposit – Furniture & Equipment	5,499	-
Deposit - Rental	-	36,750
Office and general	11,674	9,682
Professional fees – Legal retainer	3,096	2,314
Research expenses	1,132	2,941
Transfer agent and filing fees / Shareholders communication	1,355	29,298
<b>Total Prepaid Expenses</b>	<b>\$ 208,422</b>	<b>\$ 178,330</b>
<b>Total Deposits</b>	<b>\$ 7,500</b>	<b>\$ 7,500</b>

**6. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS**

The Company signed a Share Purchase Agreement (the “SPA”) on January 31, 2017 with Nickel One Resources Inc. (“Nickel One”), a public company listed on the TSX Venture Exchange (the “TSX-V”), in connection with the acquisition by Nickel One of all of the issued and outstanding shares of Nortec Minerals Oy (“NMO”). NMO holds a 100% interest in the Lantinen Kollismaa Platinum Group Element-Copper project (the “LK Project”) located in north-central Finland.

Pursuant to the SPA, Nickel One would issue to Finore 5,000,000 common shares in the capital of Nickel One and would issue 2,500,000 common share purchase warrants exercisable to acquire 2,500,000 additional common shares of Nickel One at a price of \$0.12 per share for a period of 24 months from the closing of the SPA.

On October 19, 2017, Privateco acquired Finore and its wholly owned subsidiary, NMO. The NMO subsidiary was classified as held for sale on this date at a fair value of \$196,284. The reclassified assets held for sale also met the criteria for discontinued operations. Additional expenditures incurred on the LK Project between the acquisition date and December 31, 2017 were capitalized.

On March 7, 2018, the transaction with Nickel One was completed. Company assessed the fair value less costs to sell and accordingly wrote up the carrying value of asset held for sale from \$196,284 to \$389,150 at December 31, 2017, based on the stock price of Nickel One on the transaction closing date. In addition, NMO owed \$61,725 in liabilities on this date. Since the fair value of consideration received was equal to the fair value of subsidiary disposed, there was no gain or loss on disposition.

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**7. PROPERTY AND EQUIPMENT**

	Leasehold Improvements	Furniture	Computer equipment	Total
<b>Cost</b>				
Balance at December 31, 2016	\$ -	\$ 4,116	\$ 2,360	\$ 6,476
Additions	-	-	11,746	11,746
Balance at December 31, 2017	-	4,116	14,107	18,223
Additions	83,071	-	-	83,071
Balance at March 31, 2018	83,071	4,116	14,107	101,294
<b>Accumulated Amortization</b>				
Balance at December 31, 2016	\$ -	\$ 1,152	\$ 1,040	\$ 2,192
Amortization expense	-	593	2,158	2,751
Balance at December 31, 2017	-	1,745	3,198	4,943
Amortization expense	2,077	118	818	3,013
Balance at March 31, 2018	2,077	1,863	4,016	7,956
<b>Carrying Amounts</b>				
December 31, 2017	\$ -	\$ 2,371	\$ 10,909	\$ 13,280
March 31, 2018	\$ 80,994	\$ 2,253	\$ 10,091	\$ 93,338

**8. DEVELOPMENT ASSETS**

Development assets comprise of prototype equipment, which the Company has constructed, that transforms organic waste into clean water and meets municipal effluent discharge standards.

<b>Cost</b>	
Balance at December 31, 2016	\$ 120,620
Additions	25,805
Balance at December 31, 2017	146,425
Additions	94,258
Balance at March 31, 2018	240,683
<b>Accumulated Amortization</b>	
Balance at December 31, 2015 – March 31, 2018 <sup>(1)</sup>	-
<b>Carrying Amounts</b>	
December 31, 2017	\$ 146,425
March 31, 2018	\$ 240,683

(1) No amortization has been recognized to date as the development assets are not available for use.

**MICRON WASTE TECHNOLOGIES INC.**  
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**9. DEFERRED ASSETS**

On May 1, 2017, the Company entered into an agreement to acquire a patent pending technology, developed by a director of the Company, by issuing 4,000,000 units at \$0.10 per unit for a total fair value of \$400,000 (note 10). The Company has not yet received the approved patent; therefore, it is included in deferred assets.

The Company has incurred a total of \$5,582 in patent application costs. The likelihood of the application success was not known. These costs were included in deferred assets.

Amortization is not considered for these deferred assets until the application is successful and patent is received.

**10. SHARE CAPITAL AND RESERVES**

**Share Capital**

(a) **Authorized:** Unlimited number of common shares without par value.

(b) **Issued and Outstanding:**

As at March 31, 2018, there were 70,659,565 (2017 – 61,339,398) common shares issued and outstanding. Details of common shares are as follows:

**For the period ended March 31, 2018:**

- On January 15, 2018, the Company issued 6,790,000 units at a price of \$0.34 per unit for net proceeds of \$2.3 million. 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 two years at a price of \$0.50. These warrants were allocated a fair value of \$nil using the residual value method.
- During the period, the Company issued 2,255,167 common shares for the exercise of warrants. The historical fair value allocated to these warrants on issuance date of \$188,313 was reclassified from reserves to share capital.
- During the period, the Company issued 275,000 common shares for the exercise of stock options. The historical fair value allocated to these stock options on issuance date of \$81,378 was reclassified from reserves to share capital.
- During the period, the Company received funds of \$10,000 for the exercise of 20,000 warrants. These shares were issued subsequent to March 31, 2018.

**For the period ended March 31, 2017:**

- There were no common shares issued during the period ended March 31, 2017. As at March 31, 2017, there were 2,000,000 common shares issued and outstanding.
- During the period ended March 31, 2017, the Company received \$1,458,150 for common shares not yet issued.

**MICRON WASTE TECHNOLOGIES INC.**  
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**10. SHARE CAPITAL AND RESERVES (Continued)**

**Share Capital (Continued)**

**(c) Escrow Shares**

In connection with the reverse acquisition, there were 8,263,500 shares held in escrow.

As at March 31, 2018, the Company had 7,337,150 (December 31, 2017 – 7,337,150) common shares held in escrow.

Under the escrow agreement, the remaining shares held in escrow will be released from escrow in fifteen percent tranches during consecutive six-month intervals over a 36-month period following the Transaction Date.

**Share Purchase Warrants**

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	-	\$ -
Issued	27,044,200	0.35
Issued on reverse acquisition (note 4)	17,404,870	0.40
Exercised	(1,075,633)	0.31
Balance at December 31, 2017	43,373,437	\$ 0.44
Exercised	(2,255,167)	0.23
Balance, March 31, 2018	41,118,270	\$ 0.21

As at March 31, 2018, the Company had the following warrants outstanding:

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life in Years
June 4, 2018	1,877,163	\$ 0.20	0.18
November 8, 2018	7,245,872	0.50	0.61
December 9, 2018	2,640,035	0.80	0.69
May 1, 2019	900,000	0.25	1.08
June 1, 2019	10,390,200	0.50	1.17
June 22, 2019	2,915,000	0.20	1.23
April 13, 2022	11,150,000	0.25	4.04
May 1, 2022	4,000,000	0.25	4.09
Balance at March 31, 2018	41,118,270		2.06

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**10. SHARE CAPITAL AND RESERVES (Continued)**

**Stock Options**

The Company has a stock option plan (the “Plan”) whereby the Company is authorized to grant options to officers and directors, insiders, employees and consultants at an exercise price determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company’s Plan is 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company’s shares as calculated on the date of grant. Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

Under the Plan, the number of shares reserved for issuance to any one optionee will not exceed 5% of the then issued and outstanding shares. The number of shares reserved for issuance to consultants will not exceed 2% of the then issued and outstanding shares. The number of shares reserved for issuance to employees or consultants engaged in investor relations activities will not exceed 2% of then issued and outstanding shares and must vest in stages over 12 months with no more than 25% of the options vesting in any three-month period. The options are non-assignable and non-transferable and will be exercisable up to 10 years from the date of grant. The minimum exercise price of an option granted under the Plan must not be less than the discounted market price, as such term is defined in the policies of the CSE and other applicable regulatory authorities.

The changes in stock options outstanding are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at December 31, 2016	-	\$ -
Issued on reverse acquisition (note 4)	500,000	0.30
Granted	3,825,000	0.30
Balance at December 31, 2017	4,325,000	\$ 0.30
Exercised	(275,000)	0.30
Balance at March 31, 2018	4,050,000	\$ 0.30

As at March 31, 2018, the Company had the following stock options outstanding:

Date of Grant	Date of Expiry	Outstanding and Exercisable	Outstanding and Unvested	Exercise Price	Weighted Average Remaining Life in Years
October 4, 2016	October 4, 2018	500,000	-	\$ 0.30	0.51
October 25, 2017	October 25, 2022	2,183,334	1,366,666	0.30	4.57

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**10. SHARE CAPITAL AND RESERVES (continued)**

**Share-based Payments (continued)**

When the Company issues stock options, it records a share-based payment expense in the year or period which the options are granted and/or vested. The expense is estimated using the following assumptions. The expected volatility assumption is based on the historical and implied volatility of the Company's common share price on the CSE. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the stock options. The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the share-based payment expense recorded in the accompanying consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2017, the Company granted 3,825,000 stock options to directors, officers and consultants of the Company with a weighted average exercise price of \$0.30 per share, which can be exercised for a period of up to five years. Of the stock options granted, 2,458,334 options were vested immediately. A total of 1,366,666 were subject to vesting with 933,334 vesting six months after the grant date and remaining 433,332 vesting six months thereafter.

At March 31, 2018, under the graded vesting method, another \$142,935 (2017 - \$nil) was recognized as share-based payment for the three-month period.

The Company uses the Black-Scholes option pricing model to determine the fair value of the options granted with the following weighted average assumptions:

	2017
Expected life in years	5
Volatility	110.00%
Risk free rate	1.70%
Dividend yield	0.00%

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**11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

Key management personnel include senior officers and directors of the Company.

Compensation to key management personnel is as follows:

Three Months ended March 31	2018	2017
Consulting fees – key management personnel	\$ 123,000	\$ 90,000
Share-based compensation (note 11)	58,480	-
	\$ 181,480	\$ 90,000

Related party transactions not included in compensation to key management personnel are as follows:

Three Months ended March 31	2018	2017
Accounting fees <sup>(1)</sup>	-	2,525
Rent <sup>(2)</sup>	6,000	7,500
	\$ 6,000	\$ 10,025

Accounts payables and accrued liabilities of the Company include the following amounts due to related parties:

	March 31, 2018	December 31, 2017
Key management personnel	\$ -	\$ 15,276
Other related parties	-	-
	\$ -	\$ 15,276

(1) Fees of \$nil (2017 - \$2,525) for bookkeeping and accounting services paid to a company controlled by former CFO.

(2) Fees of \$6,000 (2017 - \$7,500) for office rent paid to a company that the Chairman and director of the Company and a senior officer are principals.

**12. COMMITMENTS**

The Company has the following commitments:

	2018	2019	2020	2021	2022	Total
Warehouse lease	\$43,601	\$58,135	\$ 58,135	\$ 60,777	\$60,778	\$281,426



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**13. FINANCIAL AND CAPITAL RISK MANAGEMENT**

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

**(a) Credit Risk**

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding demand deposits in high credit quality banking institutions in Canada. The Company does not have any asset-backed commercial paper included in cash. Management believes that the credit risk with respect to receivables is remote.

**(b) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of its short-term investment nature.

**(c) Foreign Exchange Rate Risk**

The Company has certain consulting fees that are denominated in US dollars and other operating expenses that are mainly in Canadian dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the US dollar. The exposure to foreign exchange rate risk is considered low. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

**(d) Other Price Risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities are carried at market value and are therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 10% change in the market price would result in a \$30,000 gain or loss on the condensed interim consolidated statements of operations and comprehensive loss.

**(e) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. All of the Company's financial obligations are due within one year.

**(f) Management of Capital**

Capital comprises the Company's shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support its operations and business development. 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.

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**13. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)**

**(f) Management of Capital (Continued)**

The Company has not generated any revenues or cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended March 31, 2018. The Company is not subject to externally imposed capital requirements.

**14. FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Quoted prices (unadjusted) 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.

The Company classified its financial instruments at Level 1 and as follows:

	<b>Financial Assets</b>	<b>Loans and Receivables</b>	<b>Other Financial Liabilities</b>
	Fair Value Through Profit or Loss	Measured at Amortized Cost	Measured at Amortized Cost
<b>March 31, 2018</b>			
Cash and cash equivalents	\$ 6,746,766	\$ -	\$ -
Marketable securities and investments (shares)	250,000	-	-
Accounts receivable	-	17,037	-
Accounts payable and accrued liabilities	-	-	(87,532)
	<b>\$ 6,996,766</b>	<b>\$ 17,037</b>	<b>\$ (87,532)</b>

Marketable securities and investments consisting of warrants have a fair value of \$45,204 which has been determined using Level 3 inputs.

**Fair Value**

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments.

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**15. SUBSEQUENT EVENTS**

- 1) Subsequent to March 31, 2018, 1,512,163 warrants were exercised for gross proceeds of \$284,433.
- 2) On April 25, 2018, the Company granted 405,000 stock options, fully vested, to some of the consultants of the Company with an exercise price of \$0.30 per share, which can be exercised for a period of up to five years.