

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	September 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		\$ 3,044,391	\$ 4,577,910
Short-term investments	5	3,000,000	-
Marketable securities and investments	4	108,363	-
Accounts receivable	6	146,270	62,411
Prepaid expenses	7	112,009	178,330
Asset held for sale	8	-	389,150
Total current assets		6,411,033	5,207,801
Non-current assets			
Deposits	7	7,500	7,500
Property and equipment	9	183,460	13,280
Development assets	10	1,189,627	146,425
Deferred assets	11	405,582	405,582
Total non-current assets		1,786,169	572,787
TOTAL ASSETS		\$ 8,197,202	\$ 5,780,588
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 162,603	\$ 56,997
Accounts payable for asset held for sale	8	-	61,725
Total liabilities		162,603	118,722
Shareholders' equity			
Share capital	12	16,809,961	11,972,859
Subscription received	12	-	12,500
Reserves	12	2,388,215	2,444,709
Deficit		(11,163,577)	(8,768,202)
Total shareholders' equity		8,034,599	5,661,866
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 8,197,202	\$ 5,780,588

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 November 26, 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)

	Note	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
General and Administrative Expenses					
Amortization	9	\$ 5,514	\$ 247	\$ 12,918	\$ 742
Business development		187,948	6,577	379,809	15,036
Consulting fees / salaries	13	232,149	149,390	627,736	432,552
Office and general		65,263	18,190	177,437	40,760
Professional fees		29,689	22,445	125,321	83,492
Research expenses		11,973	26,643	71,009	27,526
Share-based payment	12	404,067	-	763,316	-
Transfer agent and filing fees		28,718	2,907	127,002	2,907
Loss from operations		965,321	226,399	2,284,548	603,015
Interest income		(37,661)	-	(61,004)	-
Foreign exchange gain		3,155	-	(10,000)	-
Loss on held for trading investments		89,694	-	219,062	-
Loss and comprehensive loss for the period		\$ 1,020,509	\$ 226,399	\$ 2,432,606	\$ 603,015
Loss per share, basic and diluted		\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.04
Weighted average number of common shares outstanding		74,553,926	28,877,000	71,740,438	13,875,556

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	Total
Balance – December 31, 2016	2,000,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ (331,792)	\$ (231,792)
Shares issued for cash	14,877,000	2,904,250	(75,097)	-	-	-	-	2,829,153
Shares issued to settle debt	8,000,000	400,000	-	-	-	-	-	400,000
Shares issued pursuant to patent acquisition	4,000,000	400,000	-	-	-	-	-	400,000
Share issue costs – Agent Warrants	-	-	(17,222)	-	17,222	-	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	-	(603,015)	(603,015)
Balance – September 30, 2017	28,877,000	\$ 3,804,250	\$ (92,319)	\$ -	\$ 17,222	\$ -	\$ (934,807)	\$ 2,794,346
Balance – December 31, 2017	61,339,398	\$ 12,065,178	\$ (92,319)	\$ 961,560	\$ 1,483,149	\$ 12,500	\$ (8,768,202)	\$ 5,661,866
Shares issued for cash	6,790,000	2,308,600	(2,126)	-	-	-	-	2,306,474
Shares issued – warrants exercised	6,982,194	1,665,549	-	-	-	(12,500)	-	1,653,049
Reclassification from warrant reserve to share capital	-	701,201	-	-	(701,201)	-	-	-
Shares issued – options exercised	275,000	82,500	-	-	-	-	-	82,500
Reclassification from option reserve to share capital	-	81,378	-	(81,378)	-	-	-	-
Cancellation of stock options	-	-	-	(37,231)	-	-	37,231	-
Share-based payment	-	-	-	763,316	-	-	-	763,316
Loss and comprehensive loss for the period	-	-	-	-	-	-	(2,432,606)	(2,432,606)
Balance – September 30, 2018	75,386,592	\$ 16,904,406	(94,445)	\$ 1,606,267	\$ 781,948	\$ -	\$ (11,163,577)	\$ 8,034,599

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)

Nine Months ended September 30	2018	2017
Operating Activities		
Net loss for the period	\$ (2,432,606)	\$ (376,616)
Items not involving the use of cash		
Amortization	12,918	494
Share-based payment	763,316	-
Unrealized foreign exchange loss	(12,434)	-
Loss on held for trading investments	219,062	-
Changes in non-cash working capital		
Increase in accounts receivable	(83,859)	(12,553)
Increase in prepaid expenses	66,321	-
Increase in accounts payable and accrued liabilities	105,606	98,666
Net cash used in operating activities	(1,361,676)	(290,009)
Investing Activities		
Additions to short term investments	(3,000,000)	-
Additions to property and equipment	(183,098)	-
Additions to development assets	(1,043,202)	(9,136)
Net cash provided by (used in) investing activities	(4,226,300)	(9,136)
Financing Activities		
Net proceeds from issuance of shares	2,306,474	2,829,153
Subscription received	-	(50,000)
Proceeds from warrants exercised	1,653,049	-
Proceeds from stock options exercised	82,500	-
Net cash provided by financing activities from continuing operations	4,042,023	2,779,153
Foreign exchange effect on cash	12,434	-
Increase in cash and cash equivalents	(1,533,519)	2,480,008
Cash and cash equivalents, beginning of year	4,577,910	33,095
Cash and cash equivalents, end of period	\$ 3,044,391	\$ 2,513,103
Supplemental cash flow information		
Non-cash investing activities:		
Shares issued patent acquisition	\$ -	\$ 400,000
Non-cash financing activities:		
Fair value of agent warrants granted	\$ -	\$ 17,222
Shares issued for debt settlement	\$ -	\$ 400,000
Reclassification from warrants reserve to share capital	\$ 701,201	\$ -
Reclassification from options reserve to share capital	\$ 81,378	\$ -
Reclassification from options reserve to deficit	\$ 37,321	\$ -

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

MICRON WASTE TECHNOLOGIES INC.
(FORMERLY FINORE MINING INC.)
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2018 and 2017
(Expressed in Canadian Dollars, unless stated otherwise)

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 \$11,163,577 (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 September 30, 2018 were approved and authorized for issuance by the Board of Directors on November 26, 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 1, 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

	As at September 30, 2018		
	Cost	Unrealized gain / (loss)	Fair Value
Nickel One Resources Inc. – Common Shares	\$ 275,000	\$ (175,000)	\$ 100,000
Nickel One Resources Inc. – Warrants	52,425	(44,062)	8,363
	\$ 327,425	\$ (219,062)	\$ 108,363

As at September 30, 2018, the Company held 5,000,000 (December 31, 2017 – nil) shares and 2,500,000 warrants of Nickel One Resources Inc. ("Nickel One") which were received in connection with the sale transaction of the Company's Finnish subsidiary to Nickel One (note 8).

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5. SHORT-TERM INVESTMENTS

The Company's short-term investments consist of guaranteed investment certificates at a fixed interest rate for one-year term.

6. ACCOUNTS RECEIVABLE

	September 30, 2018	December 31, 2017
Accounts receivable	\$ 3,256	\$ -
Accrued interest receivable	53,097	1,824
GST receivable ⁽¹⁾	89,917	60,587
	\$ 146,270	\$ 62,411

(1) Micron is a quarterly GST filer whereas Micron Holding is an annual GST filer.

7. PREPAID EXPENSES AND DEPOSITS

	September 30, 2018	December 31, 2017
Business development / Marketing	\$ -	\$ 88,679
Consulting fees	33,000	-
Deposit – Development Costs	50,000	8,666
Deposit - Rental	-	36,750
Employees' Advances	8,733	-
Office and general	10,208	9,682
Professional fees – Legal retainer	5,001	2,314
Research expenses	-	2,941
Transfer agent and filing fees / Shareholders communication	5,067	29,298
Total Prepaid Expenses	\$ 112,009	\$ 178,330
Total Deposits – Long Term	\$ 7,500	\$ 7,500

8. 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, 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.

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8. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

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.

9. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Furniture	Computer equipment	Total
Cost				
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	154,058	29,040	-	183,098
Balance at September 30, 2018	154,058	33,156	14,107	201,321
Accumulated Amortization				
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	8,656	1,808	2,455	12,918
Balance at September 30, 2018	8,656	3,553	5,653	17,861
Carrying Amounts				
December 31, 2017	\$ -	\$ 2,371	\$ 10,909	\$ 13,280
September 30, 2018	\$ 145,402	\$ 29,603	\$ 8,454	\$ 183,460

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10. 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.

Cost	
Balance at December 31, 2016	\$ 120,620
Additions	25,805
Balance at December 31, 2017	146,425
Additions	1,043,202
Balance at September 30, 2018	1,189,627
Accumulated Amortization	
Balance at December 31, 2015 – September 30, 2018 ⁽¹⁾	-
Carrying Amounts	
December 31, 2017	\$ 146,425
September 30, 2018	\$ 1,189,627

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

11. 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 12). 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.

12. SHARE CAPITAL AND RESERVES

Share Capital

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

(b) **Issued and Outstanding:**

As at September 30, 2018, there were 75,386,592 (2017 – 61,339,398) common shares issued and outstanding. Details of common shares are as follows:

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12. SHARE CAPITAL AND RESERVES (Continued)

For the period ended September 30, 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 6,982,194 common shares for the exercise of warrants. The historical fair value allocated to these warrants on issuance date of \$701,201 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.

For the period ended September 30, 2017:

- On April 13, 2017, the Company issued 3,250,000 units at a price of \$0.05 per unit for 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. These warrants were allocated a fair value of \$nil using the residual value method.
- On the same date, the Company issued 8,000,000 units at \$0.05 per unit to settle amounts due to related parties of \$300,000 and accrued liabilities of \$100,000. 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. These warrants were allocated a fair value of \$nil.
- On May 1, 2017, the Company issued 4,000,000 units at a price of \$0.10 per unit to acquire the patent pending technology, developed by a director of the Company for a total fair value of \$400,000. 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. These warrants were allocated a fair value of \$nil.
- On May 1, 2017, the Company issued 1,100,000 units at a price of \$0.10 per unit for proceeds of \$110,000. 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 \$0.25. These warrants were allocated a fair value of \$nil using the residual value method.
- On June 1, 2017, the Company closed a private placement for 10,527,000 units at a price of \$0.25 per unit for proceeds of \$2,631,750. 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 a price of \$0.50. These warrants were allocated a fair value of \$nil using the residual value method. In connection with the private placement, finders' fees of \$75,097 and 167,200 warrants with a fair value of \$17,222 were issued to a third party. Subscriptions receivable of \$50,000 were collected subsequent to June 30, 2017. The fair value of these agent warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

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12. SHARE CAPITAL AND RESERVES (Continued)

Share Capital (Continued)

	2017
Expected life in years	2
Volatility	110.00%
Risk free rate	0.75%
Dividend yield	0.00%

(c) Escrow Shares

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

As at September 30, 2018, the Company had 6,122,625 (December 31, 2017 – 7,337,150) common shares held in escrow.

Under the escrow agreement, 10% of the total shares were released upon listing with the Canadian Securities Exchange (“CSE”) and 15% of the shares would be released every six months over a 36-month period following the listing date. The last release occurred on April 26, 2018 with the next release scheduled on October 26, 2018.

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 1)	17,404,870	0.40
Exercised	(1,075,633)	0.31
Balance at December 31, 2017	43,373,437	\$ 0.37
Issued	6,790,000	0.50
Exercised	(6,982,194)	0.26
Balance at September 30, 2018	43,181,243	\$ 0.41

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12. SHARE CAPITAL AND RESERVES (Continued)

Share Capital (Continued)

Share Purchase Warrants (Continued)

As at September 30, 2018, the Company had the following warrants outstanding:

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life in Years
November 8, 2018	6,481,537	0.50	0.11
December 9, 2018	2,640,035	0.80	0.19
May 1, 2019	650,000	0.25	0.58
June 1, 2019	10,118,200	0.50	0.67
June 16, 2019	1,425,000	0.20	0.71
January 20, 2020	6,716,471	0.50	1.28
April 13, 2022	11,150,000	0.25	3.54
May 1, 2022	4,000,000	0.25	3.59
Balance at September 30, 2018	43,181,243		1.66

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.

During the nine months ended September 30, 2018:

- On April 25, 2018, the Company granted a total of 405,000 incentive stock options to employees and consultants of the Company with an exercise price of \$0.30 per share. The options expire on April 25, 2023.
- On July 6, 2018, the Company granted a total of 865,000 incentive stock options to directors, officers, employees and consultants of the Company with an exercise price of \$0.55 per share. The options expire on July 6, 2023.
- On August 15, 2018, following the termination of a consultant, the Company cancelled a total of 100,000 incentive stock options granted on April 25, 2018 with an exercise price of \$0.30 per share.

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12. SHARE CAPITAL AND RESERVES (Continued)

Stock Options (Continued)

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 1)	500,000	0.30
Granted	3,825,000	0.30
Balance at December 31, 2017	4,325,000	\$ 0.30
Granted	1,270,000	0.47
Exercised	(275,000)	0.30
Cancelled	(100,000)	0.30
Balance at September 30, 2018	5,220,000	\$ 0.34

As at September 30, 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	0.01
October 25, 2017	October 25, 2022	3,116,668	433,332	0.30	4.07
April 25, 2018	April 25, 2023	305,000	-	0.30	4.57
July 6, 2018	July 6, 2023	795,000	70,000	0.55	4.77
Balance at September 30, 2018		4,716,668	503,332		3.83

Share-based Payments

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 on October 25, 2017, 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.

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12. SHARE CAPITAL AND RESERVES (continued)

Share-based Payments (Continued)

At September 30, 2018, under the graded vesting method, another \$240,787 was recognized as share-based payment for the nine-month period for these options granted on October 25, 2017.

During the nine months ended September 30, 2018, the Company granted on April 25, 2018, 405,000 stock options to employees and consultants of the Company with a weighted average exercise price of \$0.30 per share, which can be exercised for a period of five years. The stock options vested immediately.

Total fair value of these options granted on April 25, 2018 was \$150,784 which was recognized as share-based payment for the nine-month period.

On July 6, 2018, the Company granted another 865,000 stock options to various directors, officers, employees and consultants of the Company with an exercise price of \$0.55 per share. The options expire on July 6, 2023. Of the stock options granted, 795,000 were vested immediately. A total of 70,000 were subject to vesting with 35,000 vesting three months after the grant date and remaining 35,000 vesting three months thereafter.

Under the graded vesting method, the total fair value of these options granted on July 6, 2018 was \$371,745 which was also recognized as share-based payment for the nine-month period.

At September 30, 2018, the total share-based payment recognized for the option grants was \$763,316.

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

	Nine months ended September 30, 2018
Expected life in years	5
Volatility	117.27%
Risk free rate	2.11%
Dividend yield	0.00%

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13. 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:

Nine Months ended September 30	2018	2017
Consulting fees – key management personnel ⁽¹⁾	\$ 436,500	\$ 347,810
Share-based payment (note 12)	417,175	-
	\$ 853,675	\$ 347,810

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

Nine Months ended September 30	2018	2017
Accounting fees ⁽²⁾	\$ -	\$ 18,968
Consulting fees – other ⁽³⁾	5,700	-
Rent ⁽⁴⁾	18,000	22,500
	\$ 23,700	\$ 41,468

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

	September 30, 2018	December 31, 2017
Key management personnel – expense reimbursements	\$ 41,763	\$ 5,568
Other related parties	-	-
	\$ 41,763	\$ 5,568

- (1) Fees paid to management personnel or companies related to management personnel:
- \$180,000 (2017 - \$233,810) to a company owned by the Chairman and Director;
 - \$90,000 (2017 - \$90,000) to a company owned by the Chief Technology Officer and Director;
 - \$67,500 (2017 - \$Nil) to a company owned by the President;
 - \$45,000 (2017 - \$Nil) to the Chief Executive Officer;
 - \$36,000 (2017 - \$10,500) to a company owned by the Chief Financial Officer
 - \$13,500 (2017 - \$13,500) to a company owned by a Director;
 - \$4,500 (2017 - \$Nil) to a Director.
- (2) Fees of \$Nil (2017 - \$18,968) for bookkeeping and accounting services paid to a company controlled by former CFO.
- (3) Fees of \$5,700 (2017 - \$Nil) for tax services paid to a partnership which a senior officer is a partner.
- (4) Fees of \$18,000 (2017 - \$22,500) for office rent paid to a company that the Chairman and director of the Company and a senior officer are principals.

14. COMMITMENTS

The Company has the following commitments:

	2018	2019	2020	2021	2022	Total
Warehouse lease	\$14,534	\$58,135	\$ 58,135	\$ 60,777	\$60,778	\$252,359

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15. 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 35% change in the market price would result approximately in a \$129,000 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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15. 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 September 30, 2018. The Company is not subject to externally imposed capital requirements.

16. 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:

	Financial Assets	Loans and Receivables	Other Financial Liabilities
	Fair Value Through Profit or Loss	Measured at Amortized Cost	Measured at Amortized Cost
September 30, 2018			
Cash and cash equivalents	\$ 3,044,391	\$ -	\$ -
Short-term investments	3,000,000		
Marketable securities and investments (shares)	100,000	-	-
Accounts receivable	-	56,353	-
Accounts payable and accrued liabilities	-	-	(162,603)
	\$ 6,144,391	\$ 56,353	\$ (162,603)

Marketable securities and investments consisting of warrants have a fair value of \$8,363 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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17. SUBSEQUENT EVENTS

Subsequent to the nine-month period ended September 30, 2017:

- 1,537,088 warrants were exercised for gross proceeds of \$768,544.
- 500,000 stock options were exercised for gross proceeds of \$150,000.
- 4,944,449 warrants expired with a weighted average exercise price of \$0.50 per warrant.