

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(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)

	Note	March 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 2,477,535	\$ 3,081,567
Short-term investments	5	3,000,000	3,000,000
Marketable securities and investments	6	252,190	103,807
Accounts receivable	7	224,311	166,163
Prepaid expenses	8	25,484	41,501
<b>Total current assets</b>		<b>5,979,520</b>	<b>6,393,038</b>
<b>Non-current assets</b>			
Deposits	8	57,500	57,500
Property and equipment	9	201,138	189,249
Right-of-use assets	4	264,405	-
Development assets	10	1,787,154	1,428,424
Deferred assets	11	443,220	432,433
<b>Total non-current assets</b>		<b>2,753,417</b>	<b>2,107,606</b>
<b>TOTAL ASSETS</b>		<b>\$ 8,732,937</b>	<b>\$ 8,500,644</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 341,956	\$ 284,089
Lease liabilities		62,019	-
<b>Total current liabilities</b>		<b>403,975</b>	<b>284,089</b>
<b>Non-current liabilities</b>			
Lease liabilities	4	196,979	-
<b>Total liabilities</b>		<b>600,954</b>	<b>284,089</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	12	18,431,435	17,856,227
Reserves	12	1,613,310	1,882,382
Deficit		(11,912,762)	(11,522,054)
<b>Total shareholders' equity (deficiency)</b>		<b>8,131,983</b>	<b>8,216,555</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$ 8,732,937</b>	<b>\$ 8,500,644</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, 2019.

"Cam Battley"  
Cam Battley, 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	2019	2018
<b>General and Administrative Expenses</b>			
Amortization	9	\$ 23,378	\$ 3,013
Business development		60,766	130,411
Consulting fees	13	355,688	170,813
Office and general		49,619	43,795
Professional fees		32,735	42,179
Research expenses		21,886	13,188
Share-based payment	12	19,008	142,935
Transfer agent and filing fees		8,203	62,423
Loss from operations		571,283	608,757
Interest income		(18,116)	(15,214)
Foreign exchange gain		(1,204)	(7,994)
Fair value adjustment on held for trading investments	6	(148,383)	32,401
<b>Loss and comprehensive loss for the period</b>		<b>403,580</b>	<b>617,950</b>
<b>Loss per share, basic and diluted</b>		<b>\$ 0.01</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares outstanding</b>		<b>78,208,124</b>	<b>68,331,235</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	Total
<b>Balance – December 31, 2017</b>	<b>61,399,398</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>
<b>Balance – December 31, 2018</b>	<b>77,423,680</b>	<b>\$ 17,956,277</b>	<b>\$ (100,050)</b>	<b>\$ 1,605,899</b>	<b>\$ 276,483</b>	<b>\$ -</b>	<b>\$ (11,522,054)</b>	<b>\$ 8,216,555</b>
Impact of adopting IFRS 16 on January 1, 2019	-	-	-	-	-	-	4,360	4,360
<b>Balance – January 1, 2019</b>	<b>77,423,680</b>	<b>\$ 17,956,277</b>	<b>\$ (100,050)</b>	<b>\$ 1,605,899</b>	<b>\$ 276,483</b>	<b>\$ -</b>	<b>\$ (11,517,694)</b>	<b>\$ 8,220,915</b>
Shares issued – warrants exercised	1,350,000	270,000	-	-	-	-	-	270,000
Reclassification from warrant reserve to share capital	-	245,616	-	-	(245,616)	-	-	-
Shares issued – options exercised	100,000	30,000	-	-	-	-	-	30,000
Reclassification from option reserve to share capital	-	29,592	-	(29,592)	-	-	-	-
Share-based compensation	-	-	-	19,008	-	-	-	19,008
Cancellation of stock options	-	-	-	(12,872)	-	-	12,872	-
Loss and comprehensive loss for the period	-	-	-	-	-	-	(407,940)	(407,940)
<b>Balance – March 31, 2019</b>	<b>78,873,680</b>	<b>\$ 18,531,485</b>	<b>\$ (100,050)</b>	<b>\$ 1,582,443</b>	<b>\$ 30,867</b>	<b>\$ -</b>	<b>\$ (11,912,762)</b>	<b>\$ 8,131,983</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	2019	2018
<b>Operating Activities</b>		
Net loss for the period	\$ (403,580)	\$ (617,950)
<b>Items not involving the use of cash</b>		
Amortization	23,378	3,013
Share-based payment	19,008	142,935
Unrealized foreign exchange loss	1,829	(9,912)
Fair value gain on held for trading investments (note 6)	(148,383)	32,401
<b>Changes in non-cash working capital</b>		
Increase in accounts receivable	(58,148)	(49,816)
Increase in prepaid expenses	16,017	(30,092)
Increase in accounts payable and accrued liabilities	240,875	30,536
Net cash used in operating activities	(309,004)	(498,885)
<b>Investing Activities</b>		
Additions to property and equipment	(23,771)	(83,071)
Additions to development assets	(265,837)	(94,258)
Additions to deferred assets	(10,787)	-
Additions to right-of-use assets	(275,901)	-
Net cash provided by (used in) investing activities	(576,296)	(177,329)
<b>Financing Activities</b>		
Net proceeds from issuance of shares	-	2,306,474
Subscription received - warrants	-	10,000
Proceeds from warrants exercised	270,000	436,184
Proceeds from stock options exercised	30,000	82,500
Lease liabilities payments	(16,903)	-
Net cash provided by financing activities from continuing operations	283,097	2,835,158
Foreign exchange effect on cash	(1,829)	9,912
Decrease in cash and cash equivalents	(604,032)	2,168,856
Cash and cash equivalents, beginning of year	3,081,567	4,577,910
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,477,535</b>	<b>\$ 6,746,766</b>
<b>Supplemental cash flow information</b>		
Non-cash financing activities:		
Reclassification from warrants reserve to share capital	\$ 245,616	\$ 188,313
Reclassification from options reserve to share capital	\$ 29,592	\$ 81,378
Development assets included in accounts payable & accrued liabilities	\$ 92,893	\$ -

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**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
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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 \$11,912,762 (December 31, 2018 – \$11,522,054). 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, 2018, 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, 2018.

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

The condensed interim consolidated financial statements of the Company for the period ended March 31, 2019 were approved and authorized for issuance by the Board of Directors on May 29, 2019.



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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.

Except as set out below, the accounting policies, estimates and judgments, methods of computation and presentation applied in these condensed interim consolidated financial statements are consistent with those reported in its audited consolidated financial statements for the year ended December 31, 2018.

The Company has initially adopted IFRS 16 – Leases, from January 1, 2019, using the modified retrospective approach. A number of other new standards are effective from January 1, 2019 but they do not have a material effect on the Company's financial statements.

**4. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS**

*IFRS 16 – Leases ("IFRS 16")*

Effective January 1, 2019, the Company adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single accounting model, requiring the recognition of assets and liabilities for all major leases previously classified as "operational leases" under the principles of IAS 17 – *Leases*, and related interpretations.

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**4. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS (Continued)**

**(a) The Company's accounting policy under IFRS 16**

**Definition of a lease**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to grandfather the lease definition for existing contracts on transition. It applied the definition of a lease under IFRS 16 to existing contracts as of January 1, 2019.

The Company has also elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

**As a lessee**

The Company leases its warehouse space for its Innovation Centre in Delta, B.C., based on a lease agreement having a fixed duration until December 31, 2022. The rental for the Company's head office space is not under any lease agreement and it is on a month-to-month basis.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, based on the initial amount of the lease liability. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term included periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The ongoing lease liability is measured at amortized cost using the effective interest method. It is measured when there is a change in future lease payments, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**(b) Impact of transition to IFRS 16**

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. The cumulative effect or initial application is recognized in deficit at January 1, 2019. Comparative amounts for 2018 remain as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease receivables and/or lease liabilities. Lease receivables and liabilities have been measured by discounting future lease payments at the incremental borrowing rate at January 1, 2019. The incremental borrowing rate applied was 10% per annum and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic

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**4. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS (Continued)**

**(b) Impact of transition to IFRS 16 (Continued)**

environment. As of the initial date of application of IFRS 16, the remaining non-cancelable period of the Delta Innovation Centre warehouse lease was four years.

The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application and leases of low value assets as short-term leases. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term.

The Company has also elected to apply the practical expedient for excluding the initial direct costs for the measurement of right-of-use assets at the date of initial application, as well as for using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The application of IFRS 16 to leases previously classified as operating leases under IAS 17, resulted in the recognition of right-of-use assets and lease liabilities as at January 1, 2019 as summarized in the following table:

	<b>January 1, 2019</b>		<b>January 1, 2019</b>	
	<b>Prior to adoption</b>		<b>after adoption of</b>	
	<b>of IFRS 16</b>		<b>IFRS 16</b>	
		<b>Adjustments</b>		
<b>Non-current assets</b>				
Right-of-use assets	\$ -	\$ 275,901	\$ -	\$ 275,901
<b>Non-current liabilities</b>				
Lease liabilities	\$ -	\$ 268,747	\$ -	\$ 268,747
<b>Shareholders' equity</b>				
Deficit	\$ (11,522,054)	\$ 4,360	\$ (11,522,054)	\$ (11,517,694)

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**4. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS (Continued)**

**(c) Impact for the period**

The following tables summarizes the impact of adopting IFRS 16 on the Company's condensed interim consolidated financial statements for the three months ended March 31, 2019:

	<b>March 31, 2019 without adoption of IFRS 16</b>	<b>Adjustments for adoptions of IFRS 16</b>	<b>March 31, 2019 after adoption of IFRS 16</b>
<b>Non-current assets</b>			
Right-of-use assets	\$ -	\$ 264,405	\$ 264,405
<b>Current liabilities</b>			
Lease liabilities	\$ -	\$ 62,019	\$ 62,019
<b>Non-current liabilities</b>			
Lease liabilities	\$ -	\$ 196,979	\$ 196,979
<b>Shareholders' equity</b>			
Deficit	\$ (11,918,169)	\$ 5,407	\$ (11,912,762)
<b>Expenses</b>			
Depreciation	\$ (11,882)	\$ (11,496)	\$ (23,378)
Office and general	(71,080)	21,461	(49,619)
<b>Other items</b>			
Interest income (expense)	\$ 22,674	\$ (4,558)	\$ 18,116
<b>Net loss for the period</b>	<b>\$ (408,987)</b>	<b>\$ 5,407</b>	<b>\$ (403,580)</b>

The following table presents the right-of-use assets for the Company:

	<b>Innovation Centre Warehouse Lease</b>	<b>Total right-of- use assets</b>
<b>Balance – January 1, 2019</b>	<b>\$ 275,901</b>	<b>\$ 275,901</b>
Depreciation	(11,496)	(11,496)
<b>Balance – March 31, 2019</b>	<b>\$ (264,405)</b>	<b>\$ (264,405)</b>

**5. SHORT-TERM INVESTMENTS**

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

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**6. MARKETABLE SECURITIES AND INVESTMENTS**

	<b>Fair Value December 31, 2018</b>	<b>Unrealized gain / (loss)</b>	<b>Fair Value March 31, 2019</b>
Nickel One Resources Inc. – Common Shares	\$ 100,000	\$ 150,000	\$ 250,000
Nickel One Resources Inc. – Warrants	3,807	(1,617)	2,190
	<b>\$ 103,807</b>	<b>\$ 148,383</b>	<b>\$ 252,190</b>

As at December 31, 2018, the Company held 5,000,000 common 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 that was completed on March 8, 2018. The fair values at December 31, 2018 were \$100,000 and \$3,807 respectively.

Subsequent to the period ended March 31, 2019, on May 3, 2019, Nickel One changed its name to Palladium Ore Mining Inc. (“Palladium One”) and consolidated its shares on the basis of two pre-consolidation shares for one post-consolidation common share. As at March 31, 2019, on a post-consolidation basis, the Company held 2,500,000 common shares and 1,250,000 warrants of Palladium One.

**7. ACCOUNTS RECEIVABLE**

	March 31, 2019	December 31, 2018
Accounts receivable	\$ -	\$ 548
Accrued interest receivable	70,616	49,258
GST receivable	153,695	116,537
	<b>\$ 224,311</b>	<b>\$ 166,163</b>

**8. PREPAID EXPENSES AND DEPOSITS**

	March 31, 2019	December 31, 2018
Consulting fees	\$ 3,000	\$ 15,000
Employees’ advances	965	5,048
Office and general	12,444	15,472
Professional fees – Legal retainer	6,782	2,814
Transfer agent and filing fees / Shareholders communication	2,293	3,167
<b>Total Prepaid Expenses</b>	<b>\$ 25,484</b>	<b>\$ 41,501</b>
<b>Total Deposits</b>	<b>\$ 57,500</b>	<b>\$ 57,500</b>

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**9. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Promotional models	Furniture / Equipment	Computer equipment	Total
<b>Cost</b>					
Balance at December 31, 2017	\$ -	\$ -	\$ 4,116	\$ 14,107	\$ 18,223
Additions	162,830	9,377	29,040	-	201,247
Balance at December 31, 2018	162,830	9,377	33,156	14,107	219,470
Additions	17,346	-	6,425	-	23,771
Balance at March 31, 2019	\$ 180,176	\$ 9,377	\$ 39,581	\$ 14,107	\$ 243,241
<b>Accumulated Amortization</b>					
Balance at December 31, 2017	\$ -	\$ -	\$ 1,745	\$ 3,198	\$ 4,943
Amortization expense	16,283	2,344	3,378	3,273	25,278
Balance at December 31, 2018	16,283	2,344	5,123	6,471	30,221
Amortization expense	8,575	1,172	1,562	573	11,882
Balance at March 31, 2019	\$ 24,858	\$ 3,516	\$ 6,685	\$ 7,044	\$ 42,103
<b>Carrying Amounts</b>					
December 31, 2018	\$ 146,547	\$ 7,033	\$ 28,033	\$ 7,636	\$ 189,249
March 31, 2019	\$ 155,318	\$ 5,861	\$ 32,896	\$ 7,063	\$ 201,138

**10. DEVELOPMENT ASSETS**

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

<b>Cost</b>	
Balance at December 31, 2017	\$ 146,425
Additions	1,428,424
Impairment	(146,425)
Balance at December 31, 2018	1,428,424
Additions	358,730
Balance at March 31, 2019	\$ 1,787,154
<b>Accumulated Amortization</b>	
Balance at December 31, 2017 – March 31, 2019 <sup>(1)</sup>	-
<b>Carrying Amounts</b>	
December 31, 2018	\$ 1,428,424
March 31, 2019	\$ 1,787,154

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

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## **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.

On June 8, 2018, the Company was awarded an Industrial Design Certificate of Registration from the Canadian Intellectual Property Office (CIPO) for its commercial Organic Waste Digester Unit. The CIPO Design Patent 177758 is valid for five years with an option to renew for an additional five years of exclusivity. As at March 31, 2019, the Company's design patent is also pending in the United States.

On December 4, 2018, the Company was awarded a United States Patent and Trademark Office (USPTO) patent for its commercial biological waste treatment formulation. US Patent 10144044 secures the intellectual property on the Company's proprietary bio-process and compositions for the treatment of waste effluent for a term of twenty years from September 10, 2015 to June 29, 2036. As at March 31, 2019, the Company's biological waste treatment formulation patent is also pending in Canada and Australia.

The legal costs associated with the various patent applications were capitalized by the Company.

Amortization was not considered for these deferred assets granted in 2018 as the amount was considered immaterial.

## **12. SHARE CAPITAL AND RESERVES**

### **Share Capital**

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

(b) **Issued and Outstanding:**

As at March 31, 2019, there were 78,873,680 (2018 – 77,423,680) common shares issued and outstanding. Details of common shares are as follows:

#### **For the period ended March 31, 2019:**

- 1,350,000 common shares were issued in connection with the exercise of share purchase warrants for gross proceeds of \$270,000. The historical fair value allocated to these warrants on issuance date of \$245,616 was reclassified from reserves to share capital.
- 100,000 common shares were issued in connection with the exercise of stock options for gross proceeds of \$30,000. The historical fair value allocated to these stock options on issuance date of \$29,592 was reclassified from reserves to share capital.

#### **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.

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

**Share Capital (Continued)**

**(b) Issued and Outstanding: (Continued)**

- 2,255,167 common shares were issued in connection with the exercise of share purchase warrants for gross proceeds of \$448,684. The historical fair value allocated to these warrants on issuance date of \$188,313 was reclassified from reserves to share capital.
- 275,000 common shares were issued in connection with the exercise of stock options for gross proceeds of \$82,500. 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.

**(c) Escrow Shares**

Pursuant to the policies of the CSE, an escrow agreement was entered into in connection with the reverse acquisition (note 1). There were 8,263,500 shares held in escrow.

As at March 31, 2019, the Company had 4,898,100 (December 31, 2018 – 4,898,100) 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. The next release was scheduled on April 26, 2019.

**Share Purchase Warrants**

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2017	43,373,437	\$ 0.37
Issued	6,790,000	0.50
Exercised	(8,519,282)	0.30
Expired	(7,684,484)	0.60
Balance at December 31, 2018	33,959,671	\$ 0.36
Exercised	(1,350,000)	0.20
Balance, March 31, 2019	32,609,671	\$ 0.37



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

**Share Purchase Warrants (Continued)**

As at March 31, 2019, the Company had the following warrants outstanding:

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life in Years
May 1, 2019	650,000	0.25	0.08
June 1, 2019	10,018,200	0.50	0.17
June 22, 2019	75,000	0.20	0.21
January 20, 2020	6,716,471	0.50	0.79
April 13, 2022	11,150,000	0.25	3.04
May 1, 2022	4,000,000	0.25	3.09
Balance at March 31, 2019	32,609,671		1.63

Subsequent to the period ended March 31, 2019:

- 150,000 warrants were exercised with a weighted average exercise price of \$0.25 per warrant for gross proceeds of \$37,500.
- 500,000 warrants expired with a weighted average exercise price of \$0.25 per warrant.

**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 period ended March 31, 2019:

- On January 12, 2019, following the resignation of an employee, the Company cancelled a total of 30,000 incentive stock options with a weighted average exercise price of \$0.51 per share.

During the period ended March 31, 2018:

- There were no changes to the stock options outstanding.

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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, 2017	4,325,000	\$ 0.30
Granted	1,895,000	0.50
Exercised <sup>(1)</sup>	(775,000)	0.30
Cancelled	(100,000)	0.30
Balance at December 31, 2018	5,345,000	\$ 0.37
Exercised <sup>(2)</sup>	(100,000)	0.30
Cancelled	(30,000)	0.51
Balance at March 31, 2019	5,215,000	\$ 0.37

(1) The weighted average share price on the date of exercise (January 22, 2018) for 250,000 options exercised was \$0.35.

(1) The weighted average share price on the date of exercise (February 7, 2018) for 25,000 options exercised was \$0.03.

(1) The weighted average share price on the date of exercise (October 1, 2018) for 500,000 options exercised was \$0.62.

(2) The weighted average share price on the date of exercise (January 22, 2019) for 100,000 options exercised was \$1.00.

As at March 31, 2019, 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 25, 2017	October 25, 2022	3,450,000	-	\$ 0.30	3.57
April 25, 2018	April 25, 2023	300,000	-	0.30	4.07
July 6, 2018	July 6, 2023	840,000	-	0.55	4.27
December 20, 2018	December 20, 2020	325,000	300,000	0.55	1.73

Subsequent to the period ended March 31, 2019:

- 1,200,000 stock options were granted to an employee and consultants of the Company with an exercise price of \$0.36 per option with a term of two years from the date of issuance.
- 25,000 stock options expired with a weighted average exercise price of \$0.55 per option following the termination of an employee.

**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.

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

**Share-based Payments (continued)**

During the year ended December 31, 2018, the Company granted on July 6, 2018, 865,000 stock options to various directors, officers and employees 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. At March 31, 2019, all of these options were vested and under the graded vesting method, another \$7,707 was recognized as share-based payment for the three-month period for these options granted on July 6, 2018.

During the year ended December 31, 2018, the Company granted 625,000 stock options to employees of the Company with an exercise price of \$0.55 per share. The options expire on December 20, 2020. Of the stock options granted, 325,000 were vested immediately. A total of 300,000 were subject to vesting with 150,000 vesting six months after the grant date and remaining 150,000 vesting six months thereafter. At March 31, 2019, 300,000 options remained unvested and under the graded vesting method, another \$11,301 was recognized as share-based payment for the three-month period for these options granted on December 20, 2018.

During the three months ended March 31, 2019, the total share-based payment recognized was \$19,008.

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

	Three months ended March 31, 2019 <sup>(2)</sup>	Year ended December 31, 2018 <sup>(1)</sup>
Expected life in years	-	4
Volatility	-	112.54%
Risk free rate	-	2.04%
Dividend yield	-	0.00%

(1) There were no stock options granted during the three months ended March 31, 2018.

(2) Subsequent to the period ended March 31, 2019, 1,200,000 stock options were granted to an employee and consultants of the Company with an exercise price of \$0.36 per option with a term of two years from the date of issuance.

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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:

Three Months ended March 31	2019	2018
Consulting fees – key management personnel <sup>(1)</sup>	\$ 152,606	\$ 123,000
Share-based compensation (note 12)	-	58,480
	\$ 152,606	\$ 181,480

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

Three Months ended March 31	2019	2018
Rent <sup>(2)</sup>	\$ 6,000	\$ 6,000

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

	March 31, 2019	December 31, 2018
Key management personnel	\$ 53,102	\$ 46,049

(1) Fees paid to management personnel or companies related to management personnel:

- \$60,000 (2018 - \$60,000) to a company owned by the Chairman and Director;
- \$30,000 (2018 - \$30,000) to a company owned by the Chief Technology Officer and Director;
- \$33,606 (2018 - \$nil) to a company owned by the President / Chief Executive Officer;
- \$5,000 (2018 - \$15,000) to the former Chief Executive Officer who resigned from his position effective January 13, 2019;
- \$18,000 (2018 - \$12,000) to a company owned by the Chief Financial Officer
- \$4,500 (2018 - \$4,500) to a company owned by a Director;
- \$1,500 (2018 - \$1,500) to a Director.

(2) Fees of \$6,000 (2018 - \$6,000) for office rent paid to a company that the Chairman and director of the Company and a senior officer are principals.

**14. 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.

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

**(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.

As at March 31, 2019, a 10% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes by approximately \$4,000.

**(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.

**(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.

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, 2019. The Company is not subject to externally imposed capital requirements.

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**15. 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, 2019</b>			
Cash and cash equivalents	\$ 2,477,535	\$ -	\$ -
Short-term investments	3,000,000	-	-
Marketable securities and investments (shares)	250,000	-	-
Accounts receivable	-	70,616	-
Accounts payable and accrued liabilities	-	-	(341,956)
Lease liabilities	-	-	(258,998)
	<b>\$ 5,727,535</b>	<b>\$ 70,616</b>	<b>\$ (600,954)</b>

Marketable securities and investments consisting of warrants have a fair value of \$2,190 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.

**16. SUBSEQUENT EVENTS**

N/A.