MICRON WASTE TECHNOLOGIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	September 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,225,926	$ 3,081,567
Short-term investments	5	-	3,000,000
Marketable securities and investments	6	150,122	103,807
Accounts receivable	7	135,619	166,163
Prepaid expenses	8	76,704	41,501
Total current assets		3,588,371	6,393,038
Non-current assets			
Deposits	8	57,500	57,500
Property and equipment	9	186,350	189,249
Right-of-use assets	4	229,917	-
Development assets	10	2,528,271	1,428,424
Deferred assets	11	467,915	432,433
Total non-current assets		3,469,953	2,107,606
TOTAL ASSETS		$ 7,058,324	$ 8,500,644
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 123,035	$ 284,089
Lease liabilities		65,185	-
Total current liabilities		188,220	284,089
Non-current liabilities			
Lease liabilities	4	163,575	-
Total liabilities		351,795	284,089
Shareholders' equity (deficiency)			
Share capital	12	18,468,935	17,856,227
Reserves	12	1,848,273	1,882,382
Deficit		(13,610,679)	(11,522,054)
Total shareholders' equity (deficiency)		6,706,529	8,216,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		$ 7,058,324	$ 8,500,644

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 29, 2019.

"Cam Battley"
Cam Battley, Director

"Kal Malhi"
Kal Malhi, Director

MICRON WASTE TECHNOLOGIES INC.
Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
General and Administrative Expenses					
Amortization	4, 9	$ 29,447	$ 5,514	$ 82,272	$ 12,918
Business development		70,687	187,948	245,582	379,809
Consulting fees / salaries	13	407,947	232,149	1,202,708	627,736
Office and general		42,589	65,263	162,741	177,437
Professional fees		26,711	29,689	102,831	125,321
Research expenses		32,880	11,973	101,753	71,009
Share-based payment	12	17,107	404,067	335,353	763,316
Transfer agent and filing fees		4,333	28,718	47,262	127,002
Loss from operations		631,701	965,321	2,280,502	2,284,548
Interest income		(13,657)	(37,661)	(51,114)	(61,004)
Foreign exchange (gain) / loss		8	3,155	(194)	(10,000)
(Gain) / Loss on held for trading investments		63,390	89,694	(46,315)	219,062
Loss and comprehensive loss for the period		$ 681,442	$ 1,020,509	$ 2,182,879	$ 2,432,606
Loss per share, basic and diluted		$ 0.01	$ 0.01	$ 0.03	$ 0.03
Weighted average number of common shares outstanding		79,023,680	74,553,926	78,735,218	71,740,438

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

MICRON WASTE TECHNOLOGIES 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, 2017	**61,399,398**	**$ 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)	-	-	-	-
Subscription received – warrants	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	763,316	-	-	-	763,316
Cancellation of stock options	-	-	-	(37,231)	-	-	37,231	-
Loss and comprehensive loss for the period	-	-	-	-	-	-	(2,432,606)	(2,432,606)
Balance – September 30, 2018	**74,386,592**	**$ 16,904,406**	**$ (94,445)**	**$ 1,606,267**	**$ 781,948**	**$ -**	**$ (11,163,577)**	**$ 8,034,599**
Balance – December 31, 2018	**77,423,680**	**$ 17,956,277**	**$ (100,050)**	**$ 1,605,899**	**$ 276,483**	**$ -**	**$ (11,522,054)**	**$ 8,216,555**
Impact of adopting IFRS 16 on January 1, 2019	-	-	-	-	-	-	4,360	4,360
Balance – January 1, 2019	**77,423,680**	**$ 17,956,277**	**$ (100,050)**	**$ 1,605,899**	**$ 276,483**	**$ -**	**$ (11,517,694)**	**$ 8,220,915**
Shares issued – warrants exercised	1,500,000	307,500	-	-	-	-	-	307,500
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	-	-	-	335,353	-	-	-	335,353
Cancellation of warrants expired	-	-	-	-	(13,645)	-	13,645	-
Cancellation of stock options	-	-	-	(69,621)	-	-	69,621	-
Forfeiture of stock options	-	-	-	(10,988)	-	-	10,988	-
Loss and comprehensive loss for the period	-	-	-	-	-	-	(2,187,239)	(2,187,239)
Balance – September 30, 2019	**79,023,680**	**$ 18,568,985**	**$ (100,050)**	**$ 1,831,051**	**$ 17,222**	**$ -**	**$ (13,610,679)**	**$ 6,706,529**

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

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

Nine Months ended September 30	2019	2018
Operating Activities		
Net loss for the period	$ (2,182,879)	$ (2,432,606)
Items not involving the use of cash		
Amortization	82,272	12.918
Share-based payment	335,353	763,316
Unrealized foreign exchange loss	2,505	(12,434)
Fair value gain / (loss) on held for trading investments (note 6)	(46,315)	219,062
Changes in non-cash working capital		
Accounts receivable	30,544	(83,859)
Prepaid expenses	(35,203)	66,321
Accounts payable and accrued liabilities	64,667	105,606
Net cash used in operating activities	(1,749,056)	(1,361,676)
Investing Activities		
Redemption of short-term investments	3,000,000	(3,000,000)
Additions to property and equipment	(33,388)	(183,098)
Additions to development assets	(1,049,667)	(1,043,202)
Additions to deferred assets	(35,482)	-
Additions to right-of-use assets	(275,901)	-
Net cash provided by (used in) investing activities	1,605,562	(4,226,300)
Financing Activities		
Net proceeds from issuance of shares	-	2,306,474
Subscription received - warrants	-	-
Proceeds from warrants exercised	307,500	1,653,049
Proceeds from stock options exercised	30,000	82,500
Lease liabilities payments	(47,141)	-
Net cash provided by financing activities from continuing operations	290,359	4,042,023
Foreign exchange effect on cash	(2,506)	12,434
Increase / (Decrease) in cash and cash equivalents	144,359	(1,533,519)
Cash and cash equivalents, beginning of year	3,081,567	4,577,910
Cash and cash equivalents, end of period	$ 3,225,926	$ 3,044,391
Supplemental cash flow information		
Non-cash financing activities:		
Reclassification from warrants reserve to share capital	$ 245.616	$ 701,201
Reclassification from options reserve to share capital	$ 29,592	$ 81,378
Reclassification from warrants reserve to deficit	$ 13,645	$ -
Reclassification from options reserve to deficit	$ 80.609	$ 37,231
Development assets included in accounts payable & accrued liabilities	$ 50,480	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Micron Waste Technologies Inc., (the "Company" or "Micron"), was incorporated on November 29, 2006 pursuant to the *Business Corporations Act*, British Columbia. The Company is 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's common shares trade on the Canadian Securities Exchange under the symbol of "MWM".

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.

The Company has an accumulated deficit of $13,610,679 (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.

2. BASIS OF PRESENTATION (Continued)

Approval of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Company for the period ended September 30, 2019 were approved and authorized for issuance by the Board of Directors on November 29, 2019.

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.

(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.

(Expressed in Canadian Dollars, unless stated otherwise)

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

(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 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:

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

(Expressed in Canadian Dollars, unless stated otherwise)

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

(b) 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 nine months ended September 30, 2019:

		September 30, 2019 without adoption of IFRS 16		Adjustments for adoptions of IFRS 16		September 30, 2019 after adoption of IFRS 16
Non-current assets						
Right-of-use assets	$	-	$	229,917	$	229,917
Current liabilities						
Lease liabilities	$	-	$	65,185	$	65,185
Non-current liabilities						
Lease liabilities	$	-	$	163,575	$	163,575
Shareholders' equity						
Deficit	$	(13,619,857)	$	1,157	$	(13,618,700)
Expenses						
Depreciation	$	(36,288)	$	(45,984)	$	(82,272)
Office and general		(227,123)		64,382		(162,741)
Other items						
Interest income (expense)	$	68,356	$	(17,242)	$	51,114
Net loss for the period	$	(2,184,036)	$	1,157	$	(2,182,879)

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

		Innovation Centre Warehouse Lease		Total right-of-use assets
Balance – January 1, 2019	**$**	275,901	**$**	275,901
Depreciation		(45,984)		(45,984)
Balance – September 30, 2019	$	229,917	$	229,917

5. SHORT-TERM INVESTMENTS

The Company's short-term investments consisted of guaranteed investment certificates at a fixed interest rate for one-year term. Upon its expiration in April, 2019, the Company re-invested the funds in guaranteed investment certificates that are redeemable any time.

(Expressed in Canadian Dollars, unless stated otherwise)

6. MARKETABLE SECURITIES AND INVESTMENTS

	Fair Value December 31, 2018	**Unrealized gain / (loss)**	**Fair Value September 30, 2019**
Palladium Ore Mining Inc. – Common Shares	$ 100,000	$ 50,000	$ 150,000
Palladium Ore Mining Inc. – Warrants	3,807	(3,685)	122
	$ 103,807	$ 46,315	$ 150,122

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 7, 2018. The fair values at December 31, 2018 were $100,000 and $3,807 respectively.

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 September 30, 2019, on a post-consolidation basis, the Company held 2,500,000 common shares and 1,250,000 warrants of Palladium One. The warrants will expire on February 28, 2020.

7. ACCOUNTS RECEIVABLE

	September 30, 2019	December 31, 2018
Accounts receivable	$ 6,184	$ 548
Accrued interest receivable	28,101	49,258
GST receivable	101,334	116,357
	$ 135,619	**$ 166,163**

8. PREPAID EXPENSES AND DEPOSITS

	September 30, 2019	December 31, 2018
Business Development	$ 51,026	$ -
Consulting fees	-	15,000
Employees' advances	2,885	5,048
Office and general	17,748	15,472
Professional fees – Legal retainer	2,814	2,814
Transfer agent and filing fees / Shareholders communication	2,231	3,167
Total Prepaid Expenses	**$ 76,704**	**$ 41,501**
Total Deposits	**$ 57,500**	**$ 57,500**

(Expressed in Canadian Dollars, unless stated otherwise)

9. PROPERTY AND EQUIPMENT

	Leasehold improvements	Promotional models	Furniture / Equipment	Computer equipment	Total
Cost					
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	-	16,042	-	33,388
Balance at September 30, 2019	$ 180,176	$ 9,377	$ 49,198	$ 14,107	$ 252,858
Accumulated Amortization					
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	25,726	3,516	5,328	1,717	36,287
Balance at September 30, 2019	$ 42,009	$ 5,860	$ 10,451	$ 8,188	$ 66,508
Carrying Amounts					
December 31, 2018	$ 146,547	$ 7,033	$ 28,033	$ 7,636	$ 189,249
September 30, 2019	$ 138,167	$ 3,517	$ 38,747	$ 5,919	$ 186,350

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.

Cost	
Balance at December 31, 2017	$ 146,425
Additions	1,428,424
Impairment	(146,425)
Balance at December 31, 2018	1,428,424
Additions	1,099,847
Balance at September 30, 2019	$ 2,528,271
Accumulated Amortization	
Balance at December 31, 2017 – September 30, 2019[(1)]	-
Carrying Amounts	
December 31, 2018	$ 1,428,424
September 30, 2019	$ 2,528,271

(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.

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. In 2019, the Company was awarded the design patent 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. On June 27, 2019 and August 6, 2019, the Company was issued respectively an Australian and a Canadian patent for the same commercial biological waste treatment formulation. Both patents are valid for a term of twenty years. The Australian patent No. 2018201775 is valid from March 13, 2018 to March 13, 2038 whereas the Canadian patent No. 2967712 is valid from May 23, 2017 to May 23, 2037.

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 September 30, 2019, there were 79,023,680 (2018 – 77,423,680) common shares issued and outstanding. Details of common shares are as follows:

For the period ended September 30, 2019:

- 1,500,000 common shares were issued in connection with the exercise of share purchase warrants for gross proceeds of $307,500. 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.

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL AND RESERVES (Continued)

Share Capital (Continued)

(b) Issued and Outstanding: (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.

- 6,982,194 common shares were issued in connection with the exercise of share purchase warrants for gross proceeds of $1,665,549. The historical fair value allocated to these warrants on issuance date of $701,201 was reclassified from reserves to share capital.

- 275,000 common shares were issued in connection with the exercise of stock options for gross proceeds o $82,500. The historical fair value allocated to these stock options on issuance date of $81,378 was reclassified from reserves to share capital.

(c) Escrow Shares

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

As at September 30, 2019, the Company had 3,673,575 (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 completion of the amalgamation transaction on October 19, 2017. The next release was scheduled on October 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	(1,500,000)	0.21
Expired	(575,000)	0.24
Balance, September 30, 2019	31,884,671	$ 0.37

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL AND RESERVES (Continued)

Share Purchase Warrants (Continued)

As at September 30, 2019, the Company had the following warrants outstanding:

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life in Years
January 20, 2020	6,716,471	0.50	0.28
April 13, 2022	11,150,000	0.25	2.54
May 1, 2022	4,000,000	0.25	2.59
June 1, 2022(1)	10,018,200	0.50	2.67
Balance at September 30, 2019	31,884,671		2.11

(1) The expiry date of an aggregate of 10,018,200 common shares purchase warrants issued pursuant to a non-brokered private placement in June, 2017 were amended from June 1, 2019 to June 1, 2022 with all other terms remaining the same.

Stock Options and Share-based Payments

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted during the nine months ended September 30, 2019 and 2018 with the following weighted average assumptions:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Expected life in years	5	5
Volatility	104.32%	117.27%
Risk free rate	1.60%	2.11%
Dividend yield	0.00%	0.00%

During the nine months ended September 30, 2019, the total share-based payment recognized was $335,383 (2018 – $763,316).

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(1)	(775,000)	0.30
Cancelled	(100,000)	0.30
Balance at December 31, 2018	5,345,000	$ 0.37
Granted	1,200,000	0.36
Exercised(2)	(100,000)	0.30
Cancelled / Forfeited	(405,000)	0.55
Balance at September 30, 2019	6,040,000	$ 0.36

(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

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL AND RESERVES (Continued)

Stock Options and Share-based Payments (Continued)

As at September 30, 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[1]	October 25, 2022	3,450,000	-	$ 0.30	3.07
April 25, 2018	April 25, 2023	300,000	-	0.30	3.57
July 6, 2018	July 6, 2023	740,000	-	0.55	3.77
December 20, 2018[1]	December 20, 2020	350,000	-	0.55	1.22
April 8, 2019	April 8, 2024	1,000,000	200,000	0.36	4.53
Balance at September 30, 2019		5,840,000	200,000	$ 0.36	3.36

(1) Subsequent to the nine-month period ended September 30, 2019, 550,000 stock options with a weighted average exercise price of $0.46 per option expired following the termination of an employee and a consultant.

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		2019		2018
Consulting fees – key management personnel[1]	$	487,106	$	436,500
Share-based compensation (note 12)		137,946		417,175
	$	625,052	$	853,675

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

Nine Months ended September 30		2019		2018
Consulting fees – other[3]	$	2,000	$	5,700
Rent[2]		18,000		18,000
	$	20,000	$	23,700

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

		September 30, 2019		December 31, 2018
Key management personnel	$	17,850	$	46,049

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (Continued)

(1) Fees paid to management personnel or companies related to management personnel:
- $180,000 (2018 - $180,000) to a company owned by the Chairman and Director;
- $90,000 (2018 - $90,000) to a company owned by the Chief Technology Officer and Director;
- $132,606 (2018 - $67,500) to a company owned by the President / Chief Executive Officer;
- $5,000 (2018 - $45,000) to the former Chief Executive Officer who resigned from his position effective January 13, 2019;
- $54,000 (2018 - $36,000) to a company owned by the Chief Financial Officer
- $18,000 (2018 - $13,500) to a company owned by a Director;
- $7,500 (2018 - $4,500) to a Director.

(2) Fees of $18,000 (2018 - $18,000) for office rent paid to a company that the Chairman and director of the Company and a senior officer are principals.

(3) Fees of $2,000 (2018 - $5,700) for tax services paid to a partnership which a senior officer is a partner.

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.

(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 September 30, 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 $664.

(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.

14. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(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 September 30, 2019. The Company is not subject to externally imposed capital requirements.

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.

(Expressed in Canadian Dollars, unless stated otherwise)

15. FINANCIAL INSTRUMENTS (Continued)

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, 2019			
Cash and cash equivalents	$ 3,225,926	$ -	$ -
Marketable securities and investments (shares)	150,000	-	-
Accounts receivable	-	34,285	-
Accounts payable and accrued liabilities	-	-	(123,035)
Lease liabilities	-	-	(228,760)
	$ 3,375,926	$ 34,285	$ (351,795)

	Financial Assets	**Loans and Receivables**	**Other Financial Liabilities**
	Fair Value Through Profit or Loss	Measured at Amortized Cost	Measured at Amortized Cost
December 31, 2018			
Cash and cash equivalents	$ 3,081,567	$ -	$ -
Short-term investments	3,000,000	-	-
Marketable securities and investments (shares)	100,000	-	-
Accounts receivable	-	49,806	-
Accounts payable and accrued liabilities	-	-	(284,089)
	$ 6,181,567	$ 49,806	$ (284,089)

Marketable securities and investments consisting of warrants that have a fair value of (September 30, 2019 - $122; December 31, 2018 - $3,807) 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