MICRON WASTE TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Micron Waste Technologies Inc. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

"Michael Malana" (signed)	***"Kal Malhi" (signed)***
Michael Malana	Kal Malhi
Director	Director

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MICRON WASTE TECHNOLOGIES INC.

Opinion

We have audited the consolidated financial statements of Micron Waste Technologies Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit of $16,699,505 as of December 31, 2019. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2020

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MICRON WASTE TECHNOLOGIES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31	Note	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents		$ 2,784,525	$ 3,081,567
Short-term investments	5	-	3,000,000
Marketable securities	6	462,500	103,807
Accounts receivable	7	115,721	166,163
Prepaid expenses	8	63,375	41,501
Total current assets		3,426,121	6,393,038
Non-current assets			
Deposits	8	7,500	57,500
Property and equipment	9	148,069	189,249
Right-of-use assets	4	215,573	-
Development assets	10	45,557	1,428,424
Deferred assets	11	-	432,433
Total non-current assets		416,699	2,107,606
TOTAL ASSETS		$ 3,842,820	$ 8,500,644
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13	$ 74,779	$ 284,089
Lease liabilities	4	72,050	-
Total current liabilities		146,829	284,089
Non-current liabilities			
Lease liabilities	4	158,914	-
Total liabilities		305,743	284,089
Shareholders' equity			
Share capital	12	18,468,935	17,856,227
Reserves	12	1,767,647	1,882,382
Deficit		(16,699,505)	(11,522,054)
Total shareholders' equity		3,537,077	8,216,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 3,842,820	$ 8,500,644

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

Approved and authorized for issue by the Board of Directors on April 27, 2020.

"Michael Malana"	*"Kal Malhi"*
Michael Malana, Director	Kal Malhi, Director

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

Year ended December 31	Note		2019		2018
General and Administrative Expenses					
Amortization	4, 9	$	120,269	$	25,278
Business development			277,013		428,132
Consulting fees / salaries	13		1,513,335		908,702
Office and general			199,632		240,467
Professional fees			159,779		138,436
Research expenses			126,208		249,788
Share-based compensation	12		349,493		808,028
Transfer agent and filing fees			55,269		136,106
Loss from operations			2,800,998		2,934,937
Interest income			(54,218)		(85,707)
Foreign exchange (gain) loss			(67)		(10,973)
Fair value (gain) loss on marketable securities	6		(358,693)		223,618
Loss on sale of equipment			2,913		-
Impairment of property and equipment	9		20,245		-
Impairment of development assets	10		2,485,491		146,425
Impairment of deferred assets	11		469,802		-
Loss and comprehensive loss for the year		$	5,366,471	$	3,208,300
Loss per share, basic and diluted		$	0.07	$	0.04
Weighted average number of common shares outstanding			78,807,927		73,096,751

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

MICRON WASTE TECHNOLOGIES INC.
Consolidated Statements of Changes in Shareholders' Equity
(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	(7,731)	-	-	-	-	2,300,869
Shares issued – warrants exercised	8,519,282	2,434,092	-	-	-	(12,500)	-	2,421,592
Reclassification from warrant reserve to share capital	-	789,449	-	-	(789,449)	-	-	-
Shares issued – options exercised	775,000	232,500	-	-	-	-	-	232,500
Reclassification from option reserve to share capital	-	126,458	-	(126,458)	-	-	-	-
Subscription received – warrants	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	808,028	-	-	-	808,028
Expiration of warrants	-	-	-	-	(417,217)	-	417,217	-
Expiration of stock options	-	-	-	(37,231)	-	-	37,231	-
Loss and comprehensive loss for the year	-	-	-	-	-	-	(3,208,300)	(3,208,300)
Balance – December 31, 2018	**77,423,680**	**$ 17,956,277**	**$ (100,050)**	**$ 1,605,899**	**$ 276,483**	**$ -**	**$ (11,522,054)**	**$ 8,216,555**
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	-	-	-	349,493	-	-	-	349,493
Expiration of warrants	-	-	-	-	(13,645)	-	13,645	-
Expiration of stock options	-	-	-	(164,387)	-	-	164,387	-
Forfeiture of stock options	-	-	-	(10,988)	-	-	10,988	-
Loss and comprehensive loss for the year	-	-	-	-	-	-	(5,366,471)	(5,366,471)
Balance – December 31, 2019	**79,023,680**	**$ 18,568,985**	**$ (100,050)**	**$ 1,750,425**	**$ 17,222**	**$ -**	**$ (16,699,505)**	**$ 3,537,077**

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

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

Year ended December 31	2019	2018
Operating Activities		
Net loss for the year	$ (5,366,471)	$ (3,208,300)
Items not involving the use of cash		
Amortization	120,269	25,278
Share-based compensation	349,493	808,028
Loss on sale of equipment	2,913	-
Impairment of property and equipment	20,245	-
Impairment of other assets	2,485,491	146,425
Impairment of deferred assets	432,433	-
Fair value (gain) loss on marketable securities	(358,693)	223,618
Unrealized foreign exchange (gain) loss	2,783	(19,470)
Changes in non-cash working capital		
Accounts receivable	50,442	(103,752)
Prepaid expenses	(21,874)	136,829
Deposits	50,000	(50,000)
Accounts payable and accrued liabilities	(164,952)	182,734
Net cash used in operating activities	(2,397,921)	(1,858,610)
Investing Activities		
Redemption (Purchase) of short-term investments	3,000,000	(3,000,000)
Proceeds from sale of property and equipment	3,000	-
Additions to property and equipment	(33,389)	(201,247)
Additions to development assets	(1,146,982)	(1,384,066)
Additions to deferred assets	-	(26,851)
Net cash provided by (used in) investing activities	1,822,629	(4,612,164)
Financing Activities		
Net proceeds from issuance of shares	-	2,300,869
Proceeds from warrants exercised	307,500	2,421,592
Proceeds from stock options exercised	30,000	232,500
Lease liabilities payments	(56,467)	-
Net cash provided by financing activities from continuing operations	281,033	4,954,961
Foreign exchange effect on cash	(2,783)	19,470
Decrease in cash and cash equivalents	(297,042)	(1,496,343)
Cash and cash equivalents, beginning of year	3,081,567	4,577,910
Cash and cash equivalents, end of year	**$ 2,784,525**	**$ 3,081,567**
Supplemental cash flow information		
Non-cash financing activities:		
Reclassification from warrants reserve to share capital	$ 245,616	$ 789,449
Reclassification from options reserve to share capital	$ 29,592	$ 126,458
Reclassification from warrants reserve to deficit	$ 13,645	$ 417,217
Reclassification from options reserve to deficit	$ 175,375	$ 37,231
Development assets included in accounts payable and accrued liabilities	$ -	$ 44,358
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

The accompanying notes are an integral part of these 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's principal business activity has been 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 $16,699,505 (December 31, 2018 – $11,522,054). These 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.

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 annual consolidated financial statements have been prepared in accordance 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information

The significant accounting polices set out in note 3 have been applied consistently to the years presented.

Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended December 31, 2019 were approved and authorized for issuance by the Board of Directors on April 27, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Micron Technologies Holding Inc. (since October 19, 2017). Subsidiaries are fully consolidated from the date of acquisition being the date that the Company obtains 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. All intercompany transactions and balances have been eliminated on consolidation.

Foreign currencies

The reporting and functional currency of the Company and its subsidiaries 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.

Cash and Cash Equivalents

Cash includes deposits held with banks that are available on demand. Cash equivalents are financial instruments that are readily convertible to a known amount of cash immediately and are subject to insignificant changes in value.

Financial Instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgement.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets (Continued)

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at FVTOCI, with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVTOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss. The Company does not have any financial assets designated as FVTOCI.

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

A financial asset measured at FVTPL is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

As at December 31, 2019, the Company's financial instruments are comprised of cash and cash equivalents, short-term investments, marketable securities, accounts receivable, deposits, prepaids, accounts payable and accrued liabilities, and lease liabilities.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Liabilities (Continued)

The Company's financial instruments are accounted for as follows under IFRS 9:

	IFRS 9
Financial Asset	
Cash and cash equivalents	FVTPL
Short-term investment	FVTPL
Marketable securities	FVTPL
Accounts receivable	Amortized cost
Deposits	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost

Property and Equipment

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

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

The Company utilizes the declining balance method of amortization. The amortization rates applicable to each category of property and equipment are as follows;

Computer equipment	declining balance	30%
Furniture	declining balance	20%
Leasehold	straight-line basis	5 years
Promotional models	straight-line basis	2 years

Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment.

The depreciation method, useful life and residual values are assessed annually. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development Assets

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

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

Research and Development Expenditures

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized may include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use – also see abovementioned Development Assets. Other development expenditures are recognized in profit or loss as incurred.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss when incurred.

Intangible Assets

Intangible assets can be capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Intangible assets include the patent pending technology acquired by the Company and the patent application costs associated with this internally generated intangible asset. To determine if the future economic benefit is probable depends on the likelihood of the patent application success and that in turn depends on the management's judgement and knowledge.

Amortization on an intangible asset begins once the asset is available for use. To date, none of the Company's intangible assets have been available for use.

Deferred Assets

Deferred assets represent costs associated with the acquisition of the patent pending technology and the patent application are capitalized and are classified as deferred assets. They are measured on initial recognition at cost. Following initial recognition, these deferred assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of these deferred assets are assessed as either finite or indefinite.

Once the patent is approved and its useful life (expiry date) is set, the value of the patent will be amortized over its useful life.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Share Capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Share-based Payment

The Company grants share options to acquire shares of the Company to directors, officers, employees and consultants. The fair value of options granted is recognized as share-based payments with a corresponding increase in option reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of share-based payments to employees is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based expense reserve is transferred to share capital. For those options that expire or are cancelled, the recorded fair value in share-based expense reserve is transferred to deficit.

Warrants Issued in Equity Financing Transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction.

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the share issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warrants Issued in Equity Financing Transactions (Continued)

From time to time in connection with private placements, the Company issues compensatory warrants to agents ("Agent Warrants") as commission for services. Awards of Agent Warrants are accounted for in accordance with the fair value method of accounting and result in share issue costs and a credit to reserves when Agent Warrants are issued. The fair value of Agent Warrants is measured using the Black-Scholes option pricing model that requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility in the price of the underlying stock, and expected life of the Agent Warrants.

Consideration received upon exercise of warrants is credited to share capital and the related residual value is transferred from warrant reserve to share capital. If warrants expire unexercised, the related fair value is transferred to deficit.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) attributable to common shareholders by the weighted average number of outstanding common shares for the period. Diluted earnings (loss) per share is calculated using the treasury stock method. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. Under the treasury stock method, the number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during years presented.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except for items recognized directly in equity or in other comprehensive income.

(a) Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(b) Deferred Tax

Deferred income tax is provided for based on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current and Deferred Income Taxes (Continued)

(b) Deferred Tax (Continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Impairment of Non-financial Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount. However, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period.

Actual outcomes could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Following are the accounting polices subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

(a) Estimated useful lives of property and equipment

The estimated useful lives of property and equipment, which is included in the consolidated statements of financial position, will impact the amount and timing of the related depreciation included in profit or loss.

(b) Treatment of development assets

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, the Company has the intention and ability to use the asset, and how the asset will generate future benefits. Management assesses the capitalization of development costs based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions.

Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. If new information becomes available and suggests future economic benefits are unlikely, the amount capitalized in excess over the recoverable value is written off to profit or loss in the period the new information becomes available.

At each reporting date, the Company assesses its development assets for possible impairment, to determine if there is any indication that the carrying amounts of the assets may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters. A material adjustment to the carrying value of the Company's development assets could arise as a result of changes to these estimates and assumptions.

(c) Deferred income taxes

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.
The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Judgments, Estimates and Assumptions (Continued)

(d) Going concern

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

(e) Share-based compensation

The fair value of stock options granted, and compensatory warrants is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Company estimates volatility based on historical share price, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options is based on historical experience and general option holder behavior. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit, and the rate is adjusted to reflect the actual number of options that actually vest.

(f) Leases

Management uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency and geographic location.

4. ADOPTION OF NEW ACCOUNTING STANDARD

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

On January 1, 2019, the Company adopted the following accounting pronouncements retrospectively with no restatement of comparative periods.

The Company adopted IFRS 16 – Leases ("IFRS 16") effective January 1, 2019. The following is the new accounting policy for leases under IFRS 16.

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

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

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

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated amortization, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is amortized from the commencement date over the shorter of the lease term or the useful life of the underlying as set. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in profit or loss the in the period in which they are incurred.

The ROU assets are presented within “Right-of-use assets” and the lease liabilities are presented in “Lease liability” on the consolidated statements of financial position.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The comparative figures for the 2018 reporting period have not been restated and are accounted for under IAS 17 Leases, and IFRIC 4 *Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard.*

The Company applied the exemption not to recognize ROU asset and lease liabilities for leases with less than 12 months of lease term and leases for low-value assets when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

(Expressed in Canadian Dollars, unless stated otherwise)

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

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

The Company has a lease for its Innovation Center in Delta, British Columbia and is classified as operating leases under IAS 17. Upon transition to IFRS 16, these lease liabilities were measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate of 10% as of January 1, 2019. As a result, the Company, as a lessee, has recognized $287,431 as a lease liability, representing its obligation to make lease payments. A ROU asset of the same amount was recognized as a Right-of-use Asset, representing its right to use the underlying asset.

The following table summarizes the difference between the operating lease closed immediately preceding the date of initial application and lease liability recognized on the consolidated statements of financial position at the date of initial application:

Operating lease liability as at December 31, 2018	$	363,957
Effect of discounting at incremental borrowing rate		(76,526)
Lease liability recognized as of January 1, 2019	**$**	**287,431**

(b) Impact for the period

The Company has a lease agreement for its Innovation Center in Delta, British Columbia. Upon transition to IFRS 16, the Company recognized $287,431 for an ROU asset and $287,431 for a lease liability.

The continuity of the ROU asset and lease liability for the year ended December 31, 2019 is as follows:

Right-of-use asset		
Value of right-of-use asset as at January 1, 2019	$	287,431
Amortization		(71,858)
Value of right-of-use asset as at December 31, 2019	**$**	**215,573**

Lease liability		
Lease liability recognized as of January 1, 2019	$	287,431
Lease payments		(85,843)
Lease interest		29,376
Lease liability recognized as of December 31, 2019	**$**	**230,964**
Current portion	$	72,050
Long-term portion		158,914
	$	**230,964**

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 at any time.

(Expressed in Canadian Dollars, unless stated otherwise)

6. MARKETABLE SECURITIES

	Fair Value December 31, 2018	**Unrealized gain / (loss)**	**Fair Value December 31, 2019**
Palladium Ore Mining Inc. – Common Shares	$ 100,000	$ 362,500	$ 462,500
Palladium Ore Mining Inc. – Warrants	3,807	(3,807)	-
	$ 103,807	$ 358,693	$ 462,500

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"). 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. ("POM") and consolidated its shares on the basis of two pre-consolidation shares for one post-consolidation common share. As at December 31, 2019, on a post-consolidation basis, the Company held 2,500,000 common shares and 1,250,000 warrants of POM. Subsequent to the year ended on December 31, 2019, the warrants expired on February 28, 2020.

7. ACCOUNTS RECEIVABLE

	December 31, 2019	December 31, 2018
Accounts receivable	$ 46,251	$ 548
Accrued interest receivable	35,082	49,258
GST receivable	34,388	116,357
	$ 115,721	**$ 166,163**

8. PREPAID EXPENSES AND DEPOSITS

	December 31, 2019	December 31, 2018
Business development	$ 34,800	$ -
Consulting fees	-	15,000
Employees' advances	2,752	5,048
Office and general	20,778	15,472
Professional fees – Legal retainer	2,814	2,814
Transfer agent and filing fees / Shareholders communication	2,231	3,167
Total Prepaid Expenses	**$ 63,375**	**$ 41,501**
Total Deposits	**$ 7,500**	**$ 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	-	16,043	-	33,389
Disposal	-	-	(6,425)	-	(6,425)
Impairment	-	(9,377)	(19,239)	(9,389)	(38,005)
Balance at December 31, 2019	$ 180,176	$ -	$ 23,535	$ 4,718	$ 208,429
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	34,734	4,485	6,965	2,227	48,411
Disposal	-	-	(512)	-	(512)
Impairment	-	(6,829)	(4,986)	(5,945)	(17,760)
Balance at December 31, 2019	$ 51,017	$ -	$ 6,590	$ 2,753	$ 60,360
Carrying Amounts					
December 31, 2018	$ 146,547	$ 7,033	$ 28,033	$ 7,636	$ 189,249
December 31, 2019	$ 129,159	$ -	$ 16,945	$ 1,965	$ 148,069

Due to the Company's suspension of the development of its waste digester system (see note 10) equipment, especially those specifically designed for the cannabis waste digester system, related property and equipment have been reassessed for their recoverable value. The recoverable amounts have been determined using Level 3 of the fair value hierarchy. At December 31, 2019, the Company recognized an impairment loss of property and equipment of $20,245.

(Expressed in Canadian Dollars, unless stated otherwise)

10. DEVELOPMENT ASSETS

Other assets, reclassified from development assets, comprise of prototype equipment, which the Company has constructed or was in the process of constructing, that was intended to transform 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		1,102,624
Impairment		(2,485,491)
Balance at December 31, 2019	$	45,557
Accumulated Amortization		
Balance at December 31, 2017 – December 31, 2019[(1)]		-
Carrying Amounts		
December 31, 2018	$	1,428,424
December 31, 2019	$	45,557

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

On December 23, 2019, the Company announced that it has suspended development of its waste digester system for the cannabis industry in light of changing market conditions. While the Company has made rapid progress in completing the alpha prototype development and demonstrated its capability to process cannabis waste and clean dischargeable water, a longer development pathway was required to reach commercialization stage. The cannabis industry is not currently funding new technologies. Accordingly, indicators of impairment existed leading to an assessment of the recoverable amount of the Company's development assets. As there is a very limited market for the Cannvore™ units due to its specialized nature, it was the collective view of the management that the units would have a recoverable value equal to their salvage value. At December 31, 2019, the Company wrote down the carrying value of the development assets to its estimated salvage value of $45,557 and recognized an impairment loss of $2,485,491 during the year ended December 31, 2019 (2018 $146,425). The recoverable amounts have been determined using Level 3 of the fair value hierarchy.

(Expressed in Canadian Dollars, unless stated otherwise)

11. DEFERRED ASSETS

Deferred assets were initially comprised of patent pending technology acquired from a director of the Company and legal costs associated with the various patent applications that were capitalized by the Company.

Cost		
Balance at December 31, 2017	$	405,582
Additions		26,851
Balance at December 31, 2018		432,433
Additions		37,369
Impairment		(469,802)
Balance at December 31, 2019	$	-
Accumulated Amortization		
Balance at December 31, 2017 – December 31, 2019(1)		-
Carrying Amounts		
December 31, 2018	$	432,433
December 31, 2019	$	-

(1) No amortization has been recognized to date as the patents were not in use.

In light of the Company's suspension of the development of its waste digester system for the cannabis industry (see note 10) and the likelihood of restarting the cannabis project is very low, the Company wrote-down the carrying value of the deferred assets to its recoverable value to $nil and recognized an impairment loss of $469,802. The recoverable amounts have been determined using Level 3 of the fair value hierarchy.

12. SHARE CAPITAL AND RESERVES

Share Capital

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

(b) Issued and Outstanding:

As at December 31, 2019, there were 79,023,680 (2018 – 77,423,680) common shares issued and outstanding. Details of common shares are as follows:

For the year ended December 31, 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 year ended December 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 $2,308,600. 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.

- 8,519,282 common shares were issued in connection with the exercise of share purchase warrants for gross proceeds of $2,434,092. The historical fair value allocated to these warrants on issuance date of $789,449 was reclassified from reserves to share capital.

- 775,000 common shares were issued in connection with the exercise of stock options for gross proceeds of $232,500. The historical fair value allocated to these stock options on issuance date of $126,458 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 completed during the year ended December 21, 2017. There were 8,263,500 shares held in escrow.

As at December 31, 2019, the Company had 2,449,050 (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 April 20, 2020.

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, December 31, 2019	31,884,671	$ 0.38

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL AND RESERVES (Continued)

Share Purchase Warrants (Continued)

As at December 31, 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[(2)]	6,716,471	$ 0.50	0.03
April 13, 2022	11,150,000	0.25	2.28
May 1, 2022	4,000,000	0.25	2.33
June 1, 2022[(1)]	10,018,200	0.50	2.42
Balance at December 31, 2019	31,884,671	$ 0.38	1.86

(1) On May 17, 2019, 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.

(2) Subsequent to December 31, 2019, these warrants have expired.

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 year ended December 31, 2019:

- On April 8, 2019, the Company granted a total of 1,200,000 incentive stock options to an employee, officers and consultants of the Company with an exercise price of $0.36 per share. The options expire on April 8, 2024.

- A total of 805,000 incentive stock options with a weighted average exercise price of $0.49 per share expired 30 days following the terminations of employees and a consultant pursuant to the Plan. They included stock options from the following stock options grants:
  - 200,000 stock options granted on October 25, 2017 with an exercise price of $0.30 per share;
  - 5,000 stock options granted on April 15, 2018 with an exercise price of $0.30 per share;
  - 125,000 stock options granted on July 6, 2018 with an exercise price of $0.55 per share;
  - 475,000 stock options granted on December 20, 2018 with an exercise price of $0.55 per share.

- On September 9, 2019, following the termination of an employee, the Company forfeited a total of 150,000 incentive stock options granted on December 20, 2018 but not yet vested.

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL AND RESERVES (Continued)

Stock Options (Continued)

During the year ended December 31, 2018:

- On April 25, 2018, the Company granted a total of 405,000 incentive stock options to an employee 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 and employees 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.

- On December 20, 2018, the Company granted a total of 625,000 incentive stock options to employees of the Company with an exercise price of $0.55 per share. The options expire on December 20, 2020.

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
Expired	(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
Expired	(805,000)	0.49
Forfeited	(150,000)	0.55
Balance at December 31, 2019	5,490,000	$ 0.35

(1) The weighted average share price on the date of exercise for options exercised was $0.59.
(2) The weighted average share price on the date of exercise for options exercised was $0.45.

As at December 31, 2019, the Company had the following stock options outstanding and exercisable:

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	3,250,000	-	$ 0.30	2.82
April 25, 2018(1)	April 25, 2023	300,000	-	0.30	3.32
July 6, 2018(1)	July 6, 2023	740,000	-	0.55	3.52
April 8, 2019(1)(2)	April 8, 2024	1,000,000	200,000	0.36	4.27
Balance at December 31, 2019		5,290,000	200,000	$ 0.35	3.26

(1) Subsequent to December 31, 2019, 1,490,000 stock options with a weighted average exercise price of $0.34 per option expired following the termination of a director, two employees and two consultants.
(2) Subsequent to December 31, 2019, 200,000 of these stock options were forfeited.

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL AND RESERVES (Continued)

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.

Total fair value of stock options granted in the year ended December 31, 2019 was $349,493 (2018 – $808,028) which was recognized as share-based payment expense for the year.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted during the year ended December 31, 2019 and 2018 with the following weighted average assumptions:

Year ended December 31	2019	2018
Expected life in years	5	5
Volatility	104.32%	112.54%
Risk free rate	1.60%	2.04%
Dividend yield	0.00%	0.00%

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:

Year ended December 31		2019		2018
Consulting fees – key management personnel(1)	$	669,806	$	579,000
Share-based compensation (note 12)		137,946		422,580
	$	807,752	$	1,001,580

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

Year ended December 31		2019		2018
Consulting fees – other(3)	$	2,000	$	5,700
Rent(2)		27,000		24,000
	$	29,000	$	29,700

(Expressed in Canadian Dollars, unless stated otherwise)

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

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

	December 31, 2019	December 31, 2018
Key management personnel	$ 15,705	$ 46,049

(1) Fees paid to management personnel or companies related to management personnel:
- $240,000 (2018 - $240,000) to a company owned by the Chairman and Director;
- $120,000 (2018 - $120,000) to a company owned by the Chief Technology Officer and Director;
- $193,806 (2018 - $87,000) to a company owned by the President / Chief Executive Officer;
- $5,000 (2018 - $60,000) to the former Chief Executive Officer who resigned from his position effective January 13, 2019;
- $72,000 (2018 - $48,000) to a company owned by the Chief Financial Officer
- $27,000 (2018 - $18,000) to a company owned by a Director;
- $12,000 (2018 - $6,000) to a Director.

(2) Fees of $27,000 (2018 - $24,000) 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. SEGMENTED INFORMATION

The Company is a Canadian technology company and operates in one reportable operating segment being the development and commercialization of an on-site treatment system that can turn organic waste into clean water that meets municipal effluent discharge standards. All of the Company's assets and expenditures are located and incurred in Canada. Geographic information of the Company's long-term assets are as follows:

	December 31, 2019	December 31, 2018
Canada	$ 416,699	$ 2,107,606

(Expressed in Canadian Dollars, unless stated otherwise)

15. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2018 - 27.00%) to income before income taxes. The reasons for the differences are as follows:

		2019		2018
Loss before income taxes	$	(5,366,471)	$	(3,208,300)
Statutory income tax rate		27.00%		27.00%
Expected income tax recovery		(1,448,947)		(886,241)
Share issuance costs		-		(2,087)
Non-deductible recoveries and other		(45,662)		175,421
Assets acquired from reverse acquisition less transaction expense		-		(594,413)
Change in unrecognized deductible temporary differences		1,494,609		1,307,320
Total income tax recovery	**$**	**-**	**$**	**-**

As at December 31, 2019, the Company has unrecognized tax losses of $12,677,000 (2018 - $10,106,000) for which no deferred tax asset is recognized.

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

2027	$	348,000
2028		393,000
2029		11,000
2030		3,170,000
2031		1,168,000
2032		276,000
2033		245,000
2034		253,000
2035		512,000
2036		926,000
2037		945,000
2038		2,037,000
2039		2,393,000
	$	12,677,000

(Expressed in Canadian Dollars, unless stated otherwise)

16. 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.

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 and cash equivalents and accounts receivable. The Company's accounts receivable is comprised of GST receivable, other receivables and accrued interest receivable from guaranteed investment certificates ("GICs") held with the bank. GST receivable is not a financial instrument as it does not arise from contractual obligations. The Company limits exposure to credit risk on GICs by holding deposits in high credit quality banking institutions in Canada. The Company is not exposed to significant credit risk on its other receivables. The Company does not have any asset-backed commercial paper included in cash.

Management believes that the credit risk with respect to receivables is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying 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.

As at December 31, 2019	Carrying amount $	Contractual cash flows $	1 year or less $	1 -5 Years $
Accounts payable and accrued liabilities	74,779	74,779	74,779	–
Lease liabilities	230,964	278,114	90,943	187,171
	305,743	352,893	165,722	187,171

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risks.

(a) 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. The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(b) Foreign Exchange Rate Risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the CAD (primarily US$). 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 December 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 $647 (2018 - $5,083).

(c) 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. Based on the Company's investments in marketable securities as at December 31, 2019, a 462.5% (2018 – nil%) increase or decrease in the fair value of the securities held would results in an increase/decrease to profit or loss of approximately $362,500 (2018 - $nil).

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 December 31, 2019. The Company is not subject to externally imposed capital requirements.

17. CONTINGENCY

During the year ended December 31, 2019, a former employee filed a suit of wrongful dismissal against the Company. The Company believes the allegations are without merit and the Company intends to vigorously defend itself against this claim. Due to the outcome of the claim being unlikely and not measurable, no contingent liability has been recorded.

(Expressed in Canadian Dollars, unless stated otherwise)

18. 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 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
December 31, 2019			
Cash and cash equivalents	$ 2,784,525	$ -	$ -
Marketable securities	462,500	-	-
Accounts receivable	-	81,333	-
Accounts payable and accrued liabilities	-	-	(74,779)
Lease liabilities	-	-	(230,964)
	$ 3,247,025	$ 81,333	$ (305,743)

	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	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 $nil during the year ended December 31, 2019, 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.

19. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2019:

- The Company sold 2,500,000 common shares of POM for net proceeds of $257,130.

- The COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, government response actions, business closures and business disruptions, can all have an impact on the Company's operations and access to capital. As of date, the COVID-19 pandemic has not had a direct effect on the business and affairs of the Company as the Company has no current operating income. However, there can be no assurance that the Company will not be further impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce share prices and financial liquidity and thereby severely limit the financing capital available in the waste technology sector.

- On April 20, 2020, the Company announced the signing of a non-binding letter of intent (the "LOI") with COVID Technologies ("COVID") to acquire all of the outstanding securities of COVID which includes all of the business, operating assets, equipment, and business contracts of COVID. COVID is a privately held British Columbia corporation based in Vancouver, BC dedicated to the manufacture of personal protective equipment. The founder and key employee of COVID will join the Company as a member of the senior management upon consolidation of the transaction.

  The LOI stipulates that immediately prior to closing, the Company will conduct a share consolidation (the "Consolidation") on the basis of one post-consolidated Micron share for every two pre-consolidated Micron shares resulting in the Company having approximately 39,511,840 shares issued and outstanding. In exchange for the shares of COVID, the Company will issue 16,500,000 post-consolidated Micron common shares at a deemed price of $0.08 per share and 16,500,000 share purchase warrants exercisable for a price of $0.10 per share for a period of 5 years from the date of issuance.

  Following the execution of the LOI, the Company shall loan to COVID an aggregate sum of $250,000 to be used as working capital during the negotiation of the Definitive Agreement (the "Agreement"), on terms mutually agreed to by both parties.

  The Company proposes that the Agreement be entered into within 60 days following the execution of the LOI.