

MICRON WASTE TECHNOLOGIES INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(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, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,078,345	\$ 2,784,525
Marketable securities	5	-	462,500
Accounts receivable	6	90,765	115,721
Prepaid expenses	7	55,403	63,375
Inventory	8	395,924	-
Total current assets		1,620,437	3,426,121
Non-current assets			
Deposits	7	8,100	7,500
Property and equipment	9	481,352	148,069
Right-of-use assets	10	161,680	215,573
Development assets	11	27,000	45,557
Intangible assets	12	4,359,730	-
Total non-current assets		5,037,862	416,699
TOTAL ASSETS		\$ 6,558,299	\$ 3,842,820
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14	\$ 103,252	\$ 74,779
Lease liabilities	10	81,103	72,050
Total current liabilities		184,355	146,829
Non-current liabilities			
Lease liabilities	10	101,164	158,914
Total liabilities		285,519	305,743
Shareholders' equity			
Share capital	13	20,778,935	18,468,935
Reserves	13	3,169,881	1,767,647
Deficit		(17,576,036)	(16,699,505)
Total shareholders' equity		6,372,780	3,537,077
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 6,658,299	\$ 3,842,820

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 27, 2020.

"Michael Malana"
Michael Malana, Director

"Kal Malhi"
Kal Malhi, Director

MICRON WASTE TECHNOLOGIES INC.**Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenues		\$ 23,844	\$ -	\$ 23,844	\$ -
Cost of Goods Sold		15,840	-	15,840	-
Gross Profit		8,004	-	8,004	-
General and Administrative Expenses					
Amortization	9,10	28,397	29,447	85,190	82,272
Business development		224,054	70,687	718,685	245,582
Consulting fees / salaries	14	163,190	407,947	508,254	1,202,708
Office and general		7,717	42,589	62,562	162,741
Professional fees		33,902	26,711	123,293	102,831
Research expenses		2,760	32,880	25,505	101,753
Share-based compensation	13	-	17,107	7,070	335,353
Transfer agent and filing fees		9,320	4,333	39,162	47,262
Loss from operations		(469,340)	(631,701)	(1,569,721)	(2,280,502)
Interest income (loss)		(2,338)	13,657	9,900	51,114
Foreign exchange gain (loss)		2,281	(8)	1,112	194
Realized loss on sale of marketable securities	6	-	-	(17,870)	-
Fair value gain (loss) on marketable securities	6	-	(63,390)	(187,500)	46,315
Loss and comprehensive loss for the period		\$ (461,393)	\$ (681,442)	\$ (1,756,075)	\$ (2,182,879)
Loss per share, basic and diluted		\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.06)
Weighted average number of common shares outstanding		54,577,058	39,511,841	44,570,235	39,367,609

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
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Option Reserve	Warrant Reserve	Deficit	Total
Balance – December 31, 2018	38,711,841	\$ 17,856,227	\$ 1,605,899	\$ 276,483	\$ (11,522,054)	\$ 8,216,555
Shares issued – warrants exercised	750,000	307,500	-	-	-	307,500
Reclassification from warrant reserve to share capital	-	245,616	-	(245,616)	-	-
Shares issued – options exercised	50,000	30,000	-	-	-	30,000
Reclassification from option reserve to share capital	-	29,592	(29,592)	-	-	-
Share-based compensation	-	-	335,353	-	-	335,353
Expiration of warrants	-	-	-	(13,645)	13,645	-
Expiration of stock options	-	-	(69,621)	-	69,621	-
Forfeiture of stock options	-	-	(10,988)	-	10,988	-
Loss and comprehensive loss for the period	-	-	-	-	(2,182,879)	(2,182,879)
Balance – September 30, 2019	39,511,841	\$ 18,468,935	\$ 1,831,051	\$ 17,222	\$ (13,610,679)	\$ 6,706,529
Balance – December 31, 2019	39,511,841	\$ 18,468,935	\$ 1,750,425	\$ 17,222	\$ (16,699,505)	\$ 3,537,077
Shares issued on Covid Technologies acquisition	16,500,000	2,310,000	-	-	-	2,310,000
Replacement warrants issued on Covid Technologies acquisition	-	-	-	2,274,708	-	2,274,708
Share-based compensation	-	-	7,070	-	-	7,070
Expiration of stock options	-	-	(831,436)	-	831,436	-
Forfeiture of stock options	-	-	(48,108)	-	48,108	-
Loss and comprehensive loss for the period	-	-	-	-	(1,756,075)	(1,756,075)
Balance – September 30, 2020	56,011,841	\$ 20,778,935	\$ 877,951	\$ 2,291,930	\$ (17,576,036)	\$ 6,372,780

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	2020	2019
Operating Activities		
Net loss for the period	\$ (1,756,075)	\$ (2,182,879)
Items not involving the use of cash		
Amortization	99,753	82,272
Share-based compensation	7,070	335,353
Realized loss on sale of marketable securities	17,870	-
Fair value (gain) loss on marketable securities	187,500	(46,315)
Unrealized foreign exchange (gain) loss	(95)	2,505
Changes in non-cash working capital		
Accounts receivable	50,233	30,544
Prepaid expenses	315,037	(35,203)
Inventory	(223,275)	-
Deposits	(600)	-
Property and equipment	145,031	-
Accounts payable and accrued liabilities	(78,172)	64,667
Net cash used in operating activities	(1,235,723)	(1,749,056)
Investing Activities		
Redemption of short-term investments	-	3,000,000
Proceeds from sale of marketable securities	257,130	-
Refunds from return of development assets	18,557	-
Cash used to acquire Covid Technologies	(318,399)	-
Additions to property and equipment	(379,143)	(33,388)
Additions to development assets	-	(1,049,667)
Additions to deferred assets	-	(35,482)
Additions to right-of-use assets	-	(275,901)
Net cash provided by (used in) investing activities	(421,855)	1,605,562
Financing Activities		
Proceeds from warrants exercised	-	307,500
Proceeds from stock options exercised	-	30,000
Lease liabilities payments	(48,697)	(47,141)
Net cash provided by financing activities from continuing operations	(48,697)	290,359
Foreign exchange effect on cash	95	(2,506)
Decrease in cash and cash equivalents	(1,706,180)	144,359
Cash and cash equivalents, beginning of period	2,784,525	3,081,567
Cash and cash equivalents, end of period	\$ 1,078,345	\$ 3,225,926

MICRON WASTE TECHNOLOGIES INC.**Unaudited Condensed Interim Consolidated Statements of Cash Flows (continued)**

(Expressed in Canadian Dollars)

Supplemental cash flow information

Non-cash financing activities:

Shares issued to acquire Covid Technologies (note 4)	\$ 2,310,000	\$ -
Fair value of Covid Technologies replacement warrants (note 4)	\$ 2,274,708	\$ -
Reclassification from warrants reserve to share capital	\$ -	\$ 245,616
Reclassification from options reserve to share capital	\$ -	\$ 29,592
Reclassification from warrants reserve to deficit	\$ -	\$ 13,645
Reclassification from options reserve to deficit	\$ 879,544	\$ 80,609
Development assets included in accounts payable and accrued liabilities	\$ -	\$ 50,480
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

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

MICRON WASTE TECHNOLOGIES INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars, unless stated otherwise)

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 (the “CSE”) under the symbol “MWM”.

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

On May 12, 2020, the Company completed a consolidation of its common shares on the basis of one post-consolidated common share for every two pre-consolidation common shares (the “Consolidation”). Upon the completion of the Consolidation, the Company’s common shares start trading under a new CUSIP number. The Company’s name and stock symbol remain unchanged. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

On July 8, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares and dilutive securities of Covid Technologies Inc. (“Covid Technologies”), in exchange of securities of Micron (the “Acquisition”). Covid Technologies is a manufacturer of personal protective equipment (“PPE”) in Canada.

The Company will continue the research and development of its Pharmavore™ and Organivore™ waste digesters from its Delta facilities.

As at September 30, 2020, the Company has an accumulated deficit of \$17,576,036 (December 31, 2019 – \$16,699,505). 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.

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.

MICRON WASTE TECHNOLOGIES INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars, unless stated otherwise)

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 consistent 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, 2019, except that they do not include all the disclosures required for the annual audited financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the Company for year ended December 31, 2019.

Approval of the consolidated financial statements

The condensed interim consolidated financial statements of the Company for the period ended September 30, 2020 were approved and authorized for issuance by the Board of Directors on November 27, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company has applied the same accounting policies and methods of computation in its condensed consolidated interim financial statements as in its audited consolidated financial statements for the year ended December 31, 2019.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of condensed interim consolidated financial statements 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 condensed interim 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.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company’s accounting policies and key sources of estimation uncertainty were the same as those that were applied to the audited consolidated financial statements for the Company for years ended December 31, 2019 and 2018 except for the following:

(a) Useful lives of depreciable assets

<u>Manufacturing equipment</u>		
3-ply surgical mask machine	straight-line basis	8 years
N95 face mask machine	straight-line basis	6 years
Air compressor/dryer equipment	straight-line basis	5 years

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments, Estimates and Assumptions (continued)

(b) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and impact gross profits.

(c) Revenue recognition

Revenue from the sale of personal protective equipment is recognized when all the performance obligations identified in the customer contract, typically consisting of a purchasing order, are satisfied. The Company recognizes revenue when collection is reasonably assured.

4. ACQUISITION OF COVID TECHNOLOGIES

On May 18, 2020, the Company and Covid Technologies entered into a share exchange agreement whereby the Company would acquire 100% of the issued and outstanding shares of Covid Technologies, including its dilutive securities, in exchange for securities of Micron. Covid Technologies is in the business of manufacturing and sale of PPE.

Upon the closing of the Acquisition on July 8, 2020, the Company acquired all of the issued and outstanding common shares of Covid Technologies, in consideration for the issuance of 16,500,000 common shares and 16,500,000 warrants ("Replacement Warrants") of the Company. Each Replacement Warrant had an exercise price and expiration date equal to the exercise price and expiration date of Covid Technologies warrants that were cancelled. The fair value of the Replacement Warrants was determined using a Black-Scholes option pricing model.

For accounting purposes, the Acquisition has been recorded as an asset acquisition as Covid Technologies did not meet the definition of a business at the Acquisition date, as defined in IFRS 3, Business Combinations.

Consideration paid:	
Fair value of 16,500,000 Micron common shares issued	\$ 2,310,000
Fair value of 16,500,000 Replacement Warrants issued	2,274,708
Transaction costs	9,451
Total consideration paid	\$ 4,594,159
Net identifiable assets acquired:	
Cash	241,052
Taxes recoverable and other receivables	25,277
Prepays	307,065
Inventory	172,649
Manufacturing equipment	145,031
Intangible asset	4,359,730
Accounts payable and accrued liabilities	(106,645)
Loans payable	(550,000)
Identifiable assets acquired	\$ 4,594,159

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4. ACQUISITION OF COVID TECHNOLOGIES (continued)

As a result of the Acquisition, an amount of \$4,359,730 was capitalized to intangible assets.

The Company used the Black-Scholes option pricing model to determine the fair value of the 16,500,000 Replacement Warrants issued with the following weighted average assumptions:

Risk-free interest rate	0.32%
Expected dividend yield	0.00%
Expected stock price volatility	215.29%
Expected life in years	4.81
Forfeiture rate	0.00%

5. MARKETABLE SECURITIES

As at September 30, 2020, the Company held nil (December 31, 2019 - 2,500,000) common shares and nil (December 31, 2019 - 2,500,000) warrants of Palladium Ore Mining Inc. ("POM"). The POM warrants expired on February 28, 2020.

During the nine months ended September 30, 2020, the Company sold all of the POM shares for net proceeds of \$257,130. The cost base for the POM shares was \$275,000, which was the acquisition cost recognized for the POM shares at March 7, 2018. The sale of the POM shares resulted in a realized loss on sale of marketable securities of \$17,870 and an unrealized loss on the fair value of marketable securities of \$187,500 for the nine months ended September 30, 2020.

6. ACCOUNTS RECEIVABLE

	September 30, 2020	December 31, 2019
Accounts receivable	\$ 20,472	\$ 46,251
Interest receivable	5,045	35,082
GST receivable	65,248	34,388
	\$ 90,765	\$ 115,721

7. PREPAID EXPENSES

	September 30, 2020	December 31, 2019
Business development	\$ 46,814	\$ 34,800
Employees' advances	-	2,752
Office and general	1,650	20,778
Professional fees – Legal retainer	6,939	2,814
Transfer agent and filing fees / Shareholders communication	-	2,231
Total Prepaid Expenses	\$ 55,403	\$ 63,375
Total Deposits	\$ 8,100	\$ 7,500

MICRON WASTE TECHNOLOGIES INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
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8. INVENTORY

	September 30, 2020	December 31, 2019
Finished goods	\$ 102,179	\$ -
Raw materials	293,745	-
	\$ 395,924	\$ -

Included in cost of goods sold is \$6,361 (2019 - \$Nil) of direct material costs recognized as expense.

9. PROPERTY AND EQUIPMENT

	Leasehold improvements	Manufacturing equipment	Furniture / Equipment	Computer equipment	Total
Cost					
Balance at December 31, 2018	\$ 162,830	\$ -	\$ 33,156	\$ 14,107	\$ 210,093
Additions	17,346	-	16,043	-	33,389
Disposal	-	-	(6,425)	-	(6,425)
Impairment	-	-	(19,239)	(9,389)	(28,628)
Balance at December 31, 2019	\$ 180,176	\$ -	\$ 23,535	\$ 4,718	\$ 208,429
Additions	-	379,143	-	-	379,143
Balance at September 30, 2020	\$ 180,176	\$ 379,143	\$ 23,535	\$ 4,718	\$ 587,572
Accumulated Amortization					
Balance at December 31, 2018	\$ 16,283	\$ -	\$ 5,123	\$ 6,471	\$ 27,877
Amortization expense	34,734	-	6,965	2,227	43,926
Disposal	-	-	(512)	-	(512)
Impairment	-	-	(4,986)	(5,945)	(10,931)
Balance at December 31, 2019	\$ 51,017	\$ -	\$ 6,590	\$ 2,753	\$ 60,360
Amortization	27,678	14,563	3,177	442	45,860
Balance at September 30, 2020	\$ 78,695	\$ 14,563	\$ 9,767	\$ 3,195	\$ 106,220
Carrying Amounts					
December 31, 2019	\$ 129,159	\$ -	\$ 16,945	\$ 1,965	\$ 148,069
September 30, 2020	\$ 101,481	\$ 364,580	\$ 13,768	\$ 1,523	\$ 481,352

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company has a lease agreement for its Innovation Centre in Delta, British Columbia. The Company adopted IFRS 16 – Leases effective January 1, 2019.

The continuity of the right-of-use asset (“ROU asset”) and lease liability for the period ended September 30, 2020 is as follows:

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10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

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
Amortization	(53,893)
Value of right-of-use asset at September 30, 2020	\$ 161,680
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
Lease payments	(68,207)
Lease interest	19,510
Lease liability recognized as at September 30, 2020	\$ 182,267
Current portion	\$ 81,103
Long-term portion	101,164
	\$ 182,267

11. 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 were intended to transform organic waste into clean water and meets municipal effluent discharge standards.

Cost	
Balance at December 31, 2018	\$ 1,428,424
Additions	1,102,624
Impairment	(2,485,491)
Balance at December 31, 2019	45,557
Refunds from return of development assets	(18,557)
Balance at September 30, 2020	\$ 27,000
Accumulated Amortization	
Balance at December 31, 2018 – September 30, 2020 ⁽¹⁾	-
Carrying Amounts	
December 31, 2019	\$ 45,557
September 30, 2020	\$ 27,000

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

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12. INTANGIBLE ASSETS

Cost	
Balance at December 31, 2019	\$ -
Acquired with Covid Technologies	4,359,730
Balance at September 30, 2020	\$ 4,359,730
Accumulated Amortization	
Balance at December 31, 2019	\$ -
Amortization	-
Balance at September 30, 2020	-
Net Book Value	
December 31, 2019	-
September 30, 2020	\$ 4,359,730

13. SHARE CAPITAL AND RESERVES

Share Capital

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

(b) **Issued and Outstanding:**

On May 12, 2020, the Company consolidated its common shares on the basis of one post-consolidated common share for two pre-consolidation common shares. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

As at September 30, 2020 there were 56,011,841 (December 31, 2019 – 39,511,481) common shares issued and outstanding. Details of common shares are as follows:

During the period ended September 30, 2020:

- On July 8, 2020, the Company issued 16,500,000 common shares in connection with the completion of the acquisition of Covid Technologies (note 4). The Company also issued 16,500,000 replacement warrants which were valued using a Black-Scholes option pricing model on the date of acquisition. The fair value was determined to be \$2,274,708.

During the period ended September 30, 2019:

- 750,000 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.
- 50,000 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.

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13. SHARE CAPITAL AND RESERVES (continued)

Share Capital (continued)

(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 4,131,750 shares held in escrow.

As at September 30, 2020, the Company had 619,763 (December 31, 2019 – 1,224,525) common shares held in escrow. The final release of the escrow shares occurred on October 26, 2020.

Share Purchase Warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2018	16,979,836	\$ 0.73
Exercised	(750,000)	0.41
Expired	(287,500)	0.49
Balance, December 31, 2019	15,942,336	\$ 0.74
Issued	16,500,000	0.10
Expired	(3,358,236)	1.00
Balance, September 30, 2020	29,084,100	\$ 0.35

As at September 30, 2020, the Company had the following warrants outstanding:

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life in Years
April 13, 2022	5,575,000	0.50	1.53
May 1, 2022	2,000,000	0.50	1.58
June 1, 2022 ⁽¹⁾	5,009,100	1.00	1.67
April 28, 2025	16,500,000	0.10	4.58
Balance at September 30, 2020	29,084,100	\$ 0.35	3.29

(1) On May 17, 2019, the expiry date of an aggregate of 5,009,100 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.

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13. SHARE CAPITAL AND RESERVES (continued)

Share Capital (continued)

Stock Options

The changes in stock options outstanding are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at December 31, 2018	2,672,500	\$ 0.74
Granted	600,000	0.72
Exercised ⁽¹⁾	(50,000)	0.60
Expired	(402,500)	0.97
Forfeited	(75,000)	1.10
Balance at December 31, 2019	2,745,000	\$ 0.69
Expired	(1,282,500)	0.65
Forfeited	(100,000)	0.72
Balance at September 30, 2020	1,362,500	\$ 0.73

(1) The weighted average share price on the date of exercise for options exercised was \$0.90.

As at September 30, 2020, the Company had the following stock options outstanding and exercisable:

Date of Grant	Date of Expiry	Outstanding and Exercisable	Exercise Price	Weighted Average Remaining Life in Years
October 25, 2017	October 25, 2022	787,500	\$ 0.60	2.07
July 6, 2018	July 6, 2023	287,500	1.10	2.76
April 8, 2019 ⁽¹⁾	April 8, 2024	287,500	0.72	3.52
Balance at September 30, 2020		1,362,500	\$ 0.73	2.52

Share-based compensation

During the nine months ended September 30, 2020, the total share-based compensation recognized was \$7,070 (September 30, 2019 - \$335,353).

14. 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	2020	2019
Consulting fees – key management personnel ⁽¹⁾	\$ 317,421	\$ 487,106
Share-based compensation (note 13)	-	137,946
	\$ 317,421	\$ 625,052

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14. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

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

Nine months ended September 30	2020	2019
Rent ⁽²⁾	\$ 27,000	\$ 18,000
Tax services ⁽³⁾	7,000	2,000
	\$ 34,000	\$ 20,000

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

	September 30, 2020	December 31, 2019
Key management personnel	\$ -	\$ 15,705

- (1) Fees paid to consultants/companies related to management:
- \$180,000 (2019 - \$180,000): to a company owned by the Chairman/Director and interim President/CEO;
 - \$30,000 (2019 - \$90,000) to a company owned by the CTO and Director;
 - \$nil (2019 - \$132,606) to a company owned by the former President/CEO who resigned effective January 2, 2020;
 - \$nil (2019 - \$5,000) to the former CEO who resigned effective January 13, 2019;
 - \$54,000 (2019 - \$54,000) to a company owned by CFO
 - \$nil (2019 - \$18,000) to a company owned by a Director who resigned effective December 23, 2019;
 - \$13,500 (2019 - \$7,500) to a Director;
 - \$13,500 (2019 - \$nil) to a Director;
 - \$26,421 (2019 - \$nil) to a company owned by a Director who was appointed to the Board effective July 8, 2020.
- (2) Fees for the nine months ended September 30, 2020 were \$27,000 (2019 - \$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 \$7,000 (2019 - \$2,000) for tax services paid to a partnership which a senior officer is a partner.

15. SEGMENTED INFORMATION

The Company operates in two business segments with operations and long-term assets in Canada. The two business segments include the manufacture of PPE and the development and commercialization of on-site treatment systems 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. The Company's long-term assets are as follows:

	September 30, 2020	December 31, 2019
Restricted cash equivalents	\$ 8,100	\$ 7,500
Property and equipment	481,352	148,069
Right-of-use assets	161,680	215,573
Development assets	27,000	45,557
Intangible assets	4,359,730	-
	\$ 5,037,862	\$ 416,699

At September 30, 2020, long-term assets of \$4,724,310 relates to the PPE operating segment (December 31, 2019 - \$nil) and \$313,552 (December 31, 2019 - \$416,699) relates to the waste treatment operating segment. During the period ended September 30, 2020, there was no revenue related to the waste treatment operating segment.

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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.

Liquidity Risk (Continued)

	Carrying amount \$	Contractual cash flows \$	Contractual cash flows 1 year or less \$	Contractual cash flows 1 -5 years \$
As at September 30, 2020				
Accounts payable and accrued liabilities	103,252	103,252	103,252	–
Lease liabilities	182,267	209,907	92,925	116,982
	285,519	313,159	196,177	116,982

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.

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16. FINANCIAL AND CAPITAL RISK MANAGEMENT (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 September 30, 2020, 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 \$1,197 (December 31, 2019 - \$647).

(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 were carried at market value and were therefore directly affected by fluctuations in the market value of the underlying securities. After the sale of all of the marketable securities during the period ended September 30, 2020, the Company is not exposed to significant other price risk.

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.

With its new PPE manufacturing business in operation, the Company started generating some operating income. To maintain its ability to continue as a going concern and to further develop its business, 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, 2020. 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 litigation was resolved during the period ended September 30, 2020 by both parties agreeing to a cash settlement of \$40,000. Payment was paid subsequent to the period ended September 30, 2020.

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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
September 30, 2020					
Cash and cash equivalents	\$ 1,078,345	\$	-	\$	-
Accounts receivable	-		25,517		-
Accounts payable and accrued liabilities	-		-		(103,252)
Lease liabilities	-		-		(182,267)
	\$ 1,078,345	\$	25,517	\$	(285,519)

	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)

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

Impact of COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness.

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19. SUBSEQUENT EVENTS (continued)

Impact of COVID-19 (continued)

The duration and impact of the COVID-19 outbreak is unknown as to how it would impact the Company's investments. It is therefore not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.