

Consolidated Financial Statements



Three Months ended March 31, 2020

(Expressed in Canadian dollars)

ENVIROLEACH TECHNOLOGIES INC.
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NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ENVIROLEACH TECHNOLOGIES INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	March 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		\$ 2,197,094	\$ 688,848
Receivables	4	708,098	429,880
Inventory	5	423,563	444,130
Assets held for sale	6	431,850	477,290
Prepaid expenses and deposits		799,258	854,735
Total current assets		4,559,863	2,894,883
Non-current assets			
Equipment	10 & 16	4,873,423	5,107,636
Intangible assets	7 & 11	5,451,961	5,623,489
Total non-current assets		10,325,384	10,731,125
TOTAL ASSETS		\$ 14,885,247	\$ 13,626,008
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 682,586	\$ 308,901
Due to related party	9	431,959	380,024
Current portion of lease liability	16	287,849	302,652
Current portion of notes payable to related party	7	250,000	250,000
Current portion of advance royalty payable	7 & 12	71,491	65,449
Total current liabilities		1,723,607	1,307,026
Non-Current liabilities			
Lease liability	16	83,660	153,964
Advance royalty payable	7 & 12	838,031	783,568
Total non-current liabilities		921,691	937,532
TOTAL LIABILITIES		2,645,298	2,244,558
SHAREHOLDERS' EQUITY			
Share capital	13	26,198,586	23,756,237
Share option reserves	15	4,551,104	4,551,104
Accumulated deficit		(19,616,984)	(18,115,599)
Equity attributed to minority interest	2	1,107,243	1,189,708
TOTAL SHAREHOLDERS' EQUITY		12,239,949	11,381,450
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 14,885,247	\$ 13,626,008

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Duane Nelson"

"Greg Pendura"

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

ENVIROLEACH TECHNOLOGIES INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Expressed in Canadian dollars)

	Notes	Three months ending March 31, 2020	Three months ending March 31, 2019
Revenue	21	\$ 213,427	\$ 130,791
Cost of Sales			
Processing costs		30,858	34,811
Operating costs		95,972	121,790
Material purchases		40,088	164,999
		166,918	321,600
Gross Margin		46,509	(190,809)
Expenses			
Research and development		131,566	166,278
Interest and financing costs		14,714	23,612
Project development		300,725	429,139
Share based compensation	14, 15	-	1,563,971
General and administration	22	744,320	495,992
		1,191,325	2,678,989
Loss before other items		(1,144,816)	(2,869,249)
Other items			
Interest income		1,514	60,886
Other income		3,231	11,500
Amortization		(453,194)	(432,575)
Gain on disposal of assets		4,312	1,627
Foreign exchange gain (loss)		(83,421)	76,651
Net loss for the year		(1,672,374)	(3,151,679)
Loss attributed to minority interests		(170,990)	(205,933)
Loss attributed to shareholders		\$ (1,501,384)	\$ (2,945,746)
Basic and diluted loss per common share		\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding		70,931,596	62,409,946

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

ENVIROLEACH TECHNOLOGIES INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

Share Capital							
	Number of				Accumulated	Minority	
	Shares	Amount	Reserves		Deficit	Interest	Total
Balance at December 31, 2018	60,871,000	\$ 18,724,590	\$ 2,002,248	\$ (9,391,677)	\$ 709,559	\$ 12,044,720	
Exercise of warrants at \$0.50	9,425,000	4,712,500	-	-	-	4,712,500	
Exercise of options at \$0.25	300,000	138,759	(63,759)	-	-	75,000	
Exercise of options at \$0.88	100,000	144,917	(56,917)	-	-	88,000	
Exercise of options at \$0.76	25,000	35,471	(16,471)	-	-	19,000	
Share based compensation	-	-	2,686,003	-	-	2,686,003	
Mineworx investment in joint venture	-	-	-	-	1,256,430	1,256,430	
Net loss for the year	-	-	-	(8,723,922)	(776,281)	(9,500,203)	
Balance at December 31, 2019	70,667,000	\$ 23,756,237	\$ 4,551,104	\$ (18,115,599)	\$ 1,189,708	\$ 11,381,450	
Private Placement at \$0.75	3,344,001	2,508,001	-	-	-	2,508,001	
Costs of share issuance	-	(65,652)	-	-	-	(65,652)	
Mineworx investment in joint venture	-	-	-	-	88,525	88,525	
Net loss for the period	-	-	-	(1,501,384)	(170,990)	(1,672,374)	
Balance at March 31, 2020	74,011,001	\$ 26,198,586	\$ 4,551,104	\$ (19,616,984)	\$ 1,107,243	\$ 12,239,949	

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

ENVIROLEACH TECHNOLOGIES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Canadian dollars)

	Three months ending March 31, 2020	Three months ending March 31, 2019
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the year	\$ (1,672,374)	\$ (3,151,679)
Items not affecting cash:		
Amortization	453,194	432,575
Amortized interest on liabilities	11,022	7,649
Foreign exchange on liabilities	77,223	(69,886)
Share-based payments	-	1,563,971
Gain on disposal of assets	(4,312)	(1,657)
Changes in non-cash working capital items:		
Accounts receivables	(278,159)	21,597
Inventory	20,567	681
Long term assets held for sale	-	-
Prepaid expenses and deposits	55,477	4,594
Accounts payable and accrued liabilities	373,685	10,664
	<u>(963,736)</u>	<u>(1,181,491)</u>
CASH FLOWS TO INVESTING ACTIVITIES		
Patent costs	(27,604)	-
Proceeds from sale of assets	49,752	-
Purchase of equipment	(19,849)	(652,858)
	<u>2,209</u>	<u>(652,858)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Advances from related party	51,934	(6,292)
Issuance of common shares	2,508,001	-
Cost of issuing shares	(65,652)	-
Shares issued for warrants	-	4,712,500
Minority partner equity investment	88,525	384,662
Royalty payments	(19,906)	(16,813)
Lease payments	(93,219)	(49,443)
	<u>2,469,683</u>	<u>5,024,614</u>
Change in cash for the period	1,508,246	3,190,265
Cash, beginning of the year	688,848	3,917,244
Cash, end of the period	<u>\$ 2,197,094</u>	<u>\$ 7,107,509</u>

Supplemental disclosure with respect to cash flows (Note 19)

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

ENVIROLEACH TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three months ending March 31, 2020

1. Nature and continuance of operations

Enviroleach (the “Company”) was incorporated under the Province of Alberta Business Company Act on October 21, 2016 for the purpose of effecting a spin-out of the Leaching Technology Rights from Mineworx Technologies Ltd (“Mineworx”). The Company develops and markets hydrometallurgy solutions to the mining and E-waste sectors. The Company shares are listed for trading on the Canadian Securities Exchange (CSE) under the symbol “ETI”. The Company additionally trades in the United States on the OTCQB venture marketplace under the symbol “EVLLF” and on the Frankfurt Stock Exchange (FSE) under the symbol “7N2”.

The Company’s registered office is located at 1500, 1055 West Georgia St., Vancouver BC V6E 0B6 and its corporate head office is located at #114 8331 Eastlake Drive, Burnaby, BC V5A 4W2.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company incurred a loss of \$1,501,384 for the three months ending March 31, 2020 (2019 – loss of \$2,945,746) and has an accumulated deficit since inception of \$19,616,984, creating substantial doubt about its ability to continue in operation. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The consolidated financial statements were authorized for issue on May 27, 2020 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board effective as of March 31, 2020.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements include the accounts of a joint venture with Mineworx in which the Company is the operator and has control over the decision-making process. Under the joint venture agreement, the Company will earn 80% of the profits or incur 80% of the losses and Mineworx will receive a 20% share.

Significant accounting judgments, estimates and assumptions

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Three months ending March 31, 2020

2. Significant accounting policies (cont'd)

Basis of presentation (cont'd)

Management must make significant judgments or assessments as to how financial assets and liabilities are categorized.

Significant judgments and estimates used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

b) The recoverability and measurement of deferred tax assets and liabilities

Tax interpretations, regulations, and legislation in the various jurisdictions operates are subject to change. The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

c) The inputs used in the Black Scholes valuation model (volatility; interest rate; expected life and dividend yield) and forfeiture rates in accounting for share-based payment transactions.

Estimating the fair value of granted stock options, warrants issued for finders' fees and the warrant liability required determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The estimate of share -based compensation also requires determining the most appropriate inputs to the valuation model including the dividend yield, and estimating the forfeiture rate for options with vesting conditions.

d) The estimated useful life of the equipment and technology

In determining amounts of amortization and depreciation the Company is required to estimates how long the assets will be available for use.

e) The value of the technology purchased from Mineworx

The Company estimated the expected cash flow that the application of the technology would bring in order to determine whether there was any impairment in the carrying value of the asset. The company used discounted cash flow techniques and such factors as the discount rate, the royalty rate, the rate of recovery and the price of metals all went into that determination.

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at March 31, 2020, the Company had cash equivalents of \$65,000 (2019 - \$60,000).

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Three months ending March 31, 2020

2. Significant accounting policies (cont'd)

Foreign currency translation

The Company's reporting currency and the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in the statement of income for the period.

Equipment

Equipment is initially recorded at cost. As assets are put in use, they are amortized over their estimated useful lives on a straight-line basis at the following rates: equipment 3 – 10 years; office furniture – 3 – 5 years; computer hardware 3 years. The depreciation method, useful life and residual values are assessed annually.

Technology

Technology assets are the costs of acquiring rights to proprietary environmentally-friendly technologies for the concentration and extraction of valuable metals and minerals from mining and environmental waste/reclamation industries. The expected future economic benefits support the carrying value, which will be amortized over its estimated useful life, expected to be 10 years. In addition, the assets will be reviewed at least annually for impairment, which occurs if the discounted expected cash flows are less than the carrying value. See impairment of assets note below.

Impairment of non-current assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value 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 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not 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.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Three months ending March 31, 2020

2. Significant accounting policies (cont'd)

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 for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

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. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Financial instruments

The Company follows IFRS 9, Financial Instruments, which applies uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The classification is based on the Company's business objectives for managing the assets; and whether the financial instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI test"). Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date. Financial liabilities are classified in a similar manner as under IAS 39.

Financial assets

The Company initially recognizes financial assets at fair value on the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Classification and measurement Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not categorized as fair value through profit or loss ("FVTPL"), transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss). Subsequent classification and measurement of financial assets depends on the Company's business objective for managing the asset and the cash flow characteristics of the asset:

(i) Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost. Interest income is recognized as Other income (expense) in the consolidated financial statements, and gains/losses are recognized in net income (loss) when the asset is derecognized or impaired. The Company measures cash and other receivables at amortized cost.

(ii) Fair value through other comprehensive income ("FVOCI") – Financial assets held to achieve a particular business objective other than short-term trading are designated at FVOCI. IFRS 9 also provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument-by-instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI. There is no recycling of gains or losses through net income (loss). Upon derecognition of the asset, accumulated gains or losses are transferred from other comprehensive income ("OCI") directly to Deficit.

(iii) FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. In 2019, cash was measured at FVTPL. The change in classification did not affect the carrying value.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Three months ending March 31, 2020

2. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The subsequent measurement of financial liabilities is determined based on their classification as follows:

- (i) FVTPL Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).
- (ii) Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) when the liabilities are derecognized as well as through the amortization process.

Classification of financial instruments

IFRS 7, *Financial instruments: disclosures*, establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Three months ending March 31, 2020

2. Significant accounting policies (cont'd)

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

Stock-based compensation

The Company grants share-based award to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and reserves. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income was a corresponding entry within equity, against reserves. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in reserves, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

Inventory

The Company has accounted for inventory in accordance to IAS2. Inventory includes goods purchased and held for resale including finished goods, work in progress being produced, and material and supplies awaiting use in the production process. Inventories are measured at the lower of cost or net realizable value. Cost includes the cost to purchase, cost of conversion, and other costs to bring the goods to the current location. The cost of conversion is calculated based on the standard allocation of the direct labour and fixed and variable overheads incurred in converting the raw materials to finished goods. When inventories are sold the cost are expensed in the period the revenue is recognized.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Three months ending March 31, 2020

2. Significant accounting policies (cont'd)

Assets held for sale

The Company has accounted for assets held for sale in accordance to IFRS 5. Items classified as assets held for sale are non-current assets and liabilities that will be recovered principally through a sale transaction rather than continual use. The decision to sell must be made prior to year end and the sale must be highly probable. The asset is measured at the lower of carrying cost or fair value.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Leases

The Company has accounted for leases in accordance with IFRS 16. Contract arrangements are reviewed to determine if the agreement includes identifiable assets that the company has the right to obtain sustainably all the economic benefits from the use of the asset during the period of use. A Right-to-Use asset and lease liability is created based on the amortized value discounted by the implicit interest rate in the agreement or the calculated corporate borrowing rate. The Right-to-Use assets are depreciated on a straight-line basis over the life of the lease.

Joint Venture

The Company has accounted for its share of the joint venture with Mineworx by consolidating its accounts into its financial statements. This determination was made after an analysis of IFRS 11 (joint arrangements) and the terms of the joint arrangement with Mineworx

Revenue

The Company derives revenue from the sale of precious metals in a concentrate or pure form, royalties, license fees and consulting fees.

The Company recognized revenue when there is evidence a sale arrangement exists, specific performance obligations have been or satisfied, the sales price is fixed and determinable, and collectability is reasonably assured.

Once products are shipped to the Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Three months ending March 31, 2020

3. New standards, amendments and interpretations

The Company did not adopt any new accounting standard changes or amendments in the current year that had a material impact on the Company's financial statements.

The Company has not yet begun the process of assessing the impact of other new and amended standards that are effective for annual periods beginning on or after April 1, 2020, will have on its financial statements or whether to early adopt any of the new requirements. The Company does not expect the impact of such changes on the consolidated financial statements to be material, although additional disclosure may be required.

4. Accounts receivables

	March 31, 2020	December 31, 2019
Sales and other taxes receivables	\$ 150,444	\$ 409,330
Trade and other receivables	557,654	20,550
Total receivables	\$ 708,098	\$ 429,880

5. Inventory

Inventory consists of the following:

	March 31, 2020	December 31, 2019
Raw materials	308,269	330,344
Work in progress	101,593	76,941
Finished goods	13,701	35,845
Total	423,563	444,130

6. Assets held for sale

Assets held for sale represent equipment no longer used in operations that have been sent to a third party in order to facilitate a sale.

7. Technology rights acquisition and notes payable

In December 2016, the rights to the technology for the concentration and extraction of valuable metals and minerals was acquired for a total purchase price of \$7,889,909 in two separate agreements.

ENVIROLEACH TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three months ending March 31, 2020

7. Technology rights acquisition and notes payable (cont'd)

The first agreement was signed on December 13, 2016 in a transaction with Mineworx, Mohave County Mining LLP ("Mohave"), and Steve Scott ("Scott"). Under this agreement, the Company is required to make payments to Mohave and Scott in order to affect the transfer of rights as required by an earlier agreement between them and Mineworx. The total payments required to be made to Mohave and Scott are as follows:

2,000,000 Enviroleach shares	\$ 100,000	(a)
Promissory note payable	\$ 328,000	(b)
Advance royalty payable	\$1,101,909	(c)
Total acquisition price	\$1,529,909	

(a) Shares were issued in March 2017.

(b) The balance represents \$250,000 US. This note was repaid in fiscal 2017.

(c) The balance represents the amortized cost of a non-interest-bearing note of \$1,000,000 US. The discount for interest is based on an annual interest rate of 5.0%, compounded monthly and a term of 39 months, based on projected cash flows.

The advance royalty payable is based on a payment of 10% of the "Net Profit Available for Distribution" paid quarterly to a maximum of 1,000,000 USD, with a minimum monthly payment of 5,000 USD. The amount is payable irrespective of whether profits are realized.

The full rights to the technology were acquired for another \$6,360,000 in a separate agreement with Mineworx, signed December 19, 2016 and finalized after shareholder approval on March 21, 2017. The price is to be paid as follows:

a) The issue of 28,000,000 common shares valued at \$4,760,000 or \$0.17 per share, and

b) Promissory note of \$1,600,000. The note, under which \$600,000 is to be repaid within Nine months and the balance of \$1,000,000 within two years. The note bears interest of 5.0% per annum, compounded monthly payable. As at March 31, 2020 \$250,000 remains unpaid (2019 - \$1,000,000).

8. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
Accounts payables	\$ 645,086	\$ 283,901
Accrued liabilities	37,500	25,000
	<u>\$ 682,586</u>	<u>\$ 308,901</u>

9. Related party balances and transactions

The Company considers officers and members of the Board of Directors as related parties. The Company's external directors received \$67,714 (2019 - \$21,871) to perform their Board of Directors duties. These director fees are included in public listing costs.

Key Management costs for the three months ending March 31, 2020 was \$255,750 (2019 - \$187,884) and are included in management and employee costs.

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9. Related party balances and transactions (cont'd)

Included in the share based compensation for the Quarter ended March 31, 2020 was \$nil (2019 - \$306,167) for Key Management and \$nil (2019 - \$748,408) relating to Directors

As at March 31, 2020, \$431,959 (2019 - \$237,965) due to related party represent \$329,174 (2019 - \$237,965) advances owing to Mineworx that are unsecured, non-interest bearing and without specified repayment terms and unpaid fees and expenses to key management and directors of \$102,785 (2019 - \$nil).

10. Equipment

For the three months ending March 31, 2020

	Equipment	Right to Use	Office Furniture	Computer Hardware	Total
Costs	\$	\$	\$	\$	\$
Opening balance	5,128,821	588,722	146,542	32,195	5,896,280
Additions	4,297	-	14,511	1,040	19,849
Disposals	-	-	-	-	-
March 31, 2020 Balance	5,133,118	588,722	161,054	33,235	5,916,129
Depreciation					
Opening balance	598,788	135,074	36,141	18,641	788,644
Current	153,715	86,381	11,404	2,562	254,062
Disposals	-	-	-	-	-
March 31, 2020 Balance	752,503	221,455	47,545	21,203	1,042,706
Net Book Value	4,380,615	367,267	113,509	12,032	4,873,423

For the Year ended December 31, 2019

	Equipment	Right to Use	Office Furniture	Computer Hardware	Work in Progress	Total
Costs	\$	\$	\$	\$	\$	\$
Opening balance	3,208,494	494,936	95,156	24,620	1,408,024	5,231,230
Additions	1,822,558	1,046,593	51,386	7,575	-	2,928,113
Transfers	97,768	-	-	-	(1,408,024)	(1,310,256)
Disposals	-	(952,807)	-	-	-	(952,807)
December 31, 2019 Balance	5,128,821	588,722	146,542	32,195	-	5,896,280
Depreciation						
Opening balance	188,847	72,826	12,218	9,733	-	283,624
Current	409,941	332,688	23,923	8,908	-	775,459
Disposals	-	(270,439)	-	-	-	(270,493)
December 31, 2019 Balance	598,788	135,074	36,141	18,641	-	788,644
Net Book Value	4,530,033	453,648	110,401	13,554	-	5,107,636

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11. Intangible Assets

The technology costs represent the cost of the intangible assets acquired in the technology rights acquisition and is being depreciated over a 10 year life. The fair value of the asset is reviewed at each year end based on the requirements of IAS 36 *Impairment of Assets* to ensure that management's discounted cash flow projections are applying reasonable and supportable assumptions. The remaining amortization period is 7 years.

The patent costs represent the costs of applying for a patent on the Company's technology. On January 7, 2020, the Company was issued the first patent for its' technology which is being amortized over the 17-year life of the patent.

	Technology	Patents	Total
	\$	\$	\$
2020			
Costs			
Opening balance, Jan 1, 2020	7,889,909	100,552	7,990,461
Additions	-	27,604	27,604
Closing balance, Mar 31, 2020	7,889,909	128,156	8,018,065
Accumulated Amortization			
Opening balance, Jan 1, 2020	2,366,972	-	2,366,972
Additions	197,248	1,884	199,132
Closing balance, Mar 31, 2020	2,564,220	1,884	2,566,104
Carrying value – Mar 31, 2020	5,325,689	126,272	5,451,961
2019			
Costs			
Opening balance, Jan 1, 2019	7,889,909	-	7,889,909
Additions	-	100,552	100,552
Closing balance, Dec 31, 2019	7,889,909	100,552	7,990,461
Accumulated Amortization			
Opening balance, Jan 1, 2019	1,577,981	-	1,577,981
Additions	788,991	-	788,991
Closing balance, Dec 31, 2019	2,366,972	-	2,366,972
Carrying value – Dec 31, 2019	5,522,937	100,552	5,623,489

12. Advance royalty payable

The advance royalty payable was incurred on the acquisition of technology from Mohave and Scott and is described in Note 7. As the debt is non-interest bearing, the note has been discounted at a rate 5%. It is unsecured and due on a minimum discounted basis as follows:

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12. Advance royalty payable (cont'd)

	Mar 31, 2020	Dec 31, 2019
	\$	\$
Opening balance	849,017	960,514
Payments	(19,906)	(76,912)
Interest portion of payments	3,188	12,316
Adjustment for exchange	77,223	78,618
Closing balance	909,522	849,017
Current portion – 12 payments at a Discounted value of \$4,200 US	71,491	68,745
Long term portion	838,031	783,568

Payment could be accelerated should the Company generate net profits available for distribution, a calculation that takes into account management fees, depreciation, amortization, taxes and reserves.

13. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 74,011,001 shares issued and outstanding as at March 31, 2020.

The transactions giving rise to these shares during the three months ending March 31, 2020, are as follows:

- In March 2020, 3,344,001 shares were issued as part of a private placement at a price of \$0.75 per share

The transactions giving rise to these shares during the Year ended December 31, 2019, are as follows:

- 9,425,000 shares issued to fulfill the exercising of warrants at a price of \$0.50 per share
- On June 18, 2019, 100,000 shares were issued to fulfill the exercising of options at a price of \$0.25 per share
- On October 2, 2019 200,000 shares were issued to fulfill the exercising of options at a price of \$0.25 per share
- On October 15, 2019 100,000 shares were issued to fulfill the exercising of options at a price of \$0.88 per share
- On October 15, 2019 25,000 shares were issued to fulfill the exercising of options at a price of \$0.76 per share

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13. Share capital (cont'd)

Warrants

The warrants transactions for the three months ending March 31, 2020 and 2019 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, December 31, 2018	16,530,333	\$ 1.31
Exercised	(9,425,000)	0.50
Balance outstanding, December 31, 2019	7,105,333	2.44
Expired	(405,333)	1.50
Issued	3,344,001	1.00
Issued	40,775	0.75
Balance outstanding, March 31, 2020	10,084,776	\$ 1.22

The number of warrants outstanding as at March 31, 2020 are as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date
6,700,000	6,700,000	\$ 1.33	(i) Sept 30, 2020
3,344,001	-	\$ 1.00	March 23, 2022
40,775	-	\$ 0.75	March 23, 2022
10,084,776	6,700,000	\$ 1.22	

- (i) On January 15, 2020, the warrants were repriced from \$2.50 to \$1.33 and expiry date extended from March 1, 2020 to September 30, 2020.

14. Share based compensation

The Company follows the policies of the Canadian Securities Exchange, under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 15% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's common shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years. The vesting period for all options is at the discretion of the board of directors.

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14. Share based compensation (cont'd)

	Three months ending March 31, 2020		Year ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	8,720,000	\$ 0.64	5,295,000	\$ 0.34
Granted	-	-	3,875,000	1.02
Exercised	-	-	(425,000)	0.38
Options cancelled/expired	-	-	(25,000)	1.20
Options outstanding, end of period	8,720,000	\$ 0.64	8,720,000	\$ 0.64
Options exercisable, end of period	8,720,000	\$ 0.64	8,720,000	\$ 0.64

On March 1, 2019, the Company granted 2,225,000 stock options to directors, employees, and consultants of the Company. The options are at an exercise price of \$0.76 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

On June 14, 2019, the Company granted 250,000 stock options an executive of the Company. The options are at an exercise price of \$0.96 per share and valid for a period of five years from the date of the grant. The options vest 6 months after the grant date.

On December 12, 2019, the Company granted 1,400,000 stock options an executive of the Company. The options are at an exercise price of \$1.45 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

The following is a summary of stock options on hand at March 31, 2020.

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
4,470,000	4,470,000	\$ 0.25	March 25, 2022
100,000	100,000	\$ 0.50	December 31, 2022
200,000	200,000	\$ 1.65	April 12, 2023
100,000	100,000	\$ 1.20	July 18, 2023
2,200,000	2,200,000	\$ 0.76	March 1, 2024
250,000	250,000	\$ 0.96	June 14, 2024
1,400,000	1,400,000	\$ 1.45	December 12, 2024
8,720,000	8,720,000		

The weighted average time until expiry is 3.0 years and the weighted average option price is \$0.64.

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15. Share option reserves

The reserves record items recognized as share-based payments expense and compensation warrant issuing costs until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital. The total share-based payments recognized during the three months ending March 31, 2020, under the fair value method was \$nil (2019 - \$1,563,971)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation warrants granted during the three months ending March 31, 2020 and the year ended December 31, 2019:

	2020	2019
Risk-free interest rate	-	1.66%
Expected life of options	-	3.5 years
Annualized volatility	-	104.24%
Dividend rate	-	0.00%

16. Right-to-Use assets and lease liability

The company has entered into various contractual arrangements that include right-to-use assets that relate to facilities and equipment used in its operations. The weighted average interest rate utilized to discount future lease payments is 7.33%.

	Mar 31, 2020	Dec 31, 2019
Net book value consists of		
Facilities	\$ 319,434	\$ 396,598
Equipment	47,833	57,050
	<u>\$ 367,267</u>	<u>\$ 453,648</u>

Future lease payments are as follows

2020	\$ 232,774
2021	150,935
2022	6,981
2023	1,156
Total lease payments	<u>391,846</u>
Less discount	<u>(20,337)</u>
Payments on principal	371,509
Current principal payments	<u>287,849</u>
Long term portion	<u>\$ 83,660</u>

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17. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to pursue the Company's objectives. 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.

In the management of capital, the Company includes its cash balances and components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

18. Financial risk management

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is classified as Level 1.

As at March 31, 2020, the carrying values of cash, receivables, accounts payable and accrued liabilities, amounts due to related party, advances payable and promissory note payable approximate their fair values due to their short terms to maturity. Advance royalty payable and lease liabilities are carried at amortized cost.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- *Credit risk*
- Market risk
-

Credit Risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. At March 31, 2020, management considers the Company's exposure to credit risk is minimal.

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18. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at March 31, 2020, the Company had a cash balance of \$2,197,094 (2019 - \$688,848) to settle current liabilities of \$1,723,607 (2019 - \$1,307,026). So far, the Company is not profitable and has had to rely on the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At March 31, 2020, the Company was not exposed to significant interest rate risk.

The company has net liabilities of \$521,112 (\$367,317 USD) due in USD. In 2019 this balance was \$991,775 (\$894,915 USD).

(b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

19. Supplemental disclosure with respect to cash flows

During the three months ending March 31, 2020, there were no significant non-cash transactions.

During the year ended December 31, 2019, the significant non-cash transactions were as follows:

- (a) The terms of a facility lease were modified twice causing the capitalized leases and lease liability to be increased by 1,027,314. At the time of modification, the carrying value of the leases was \$696,945 and the net book value of the right to use asset was \$682,368
- (b) The company capitalized an equipment lease and recorded a matching lease liability of \$19,279.
- (c) December 31, 2019 advances of \$2,455,560 was recognized as a sale during the year ended December 31, 2019. Costs of that sale that were included in assets as at December 31, 2019 of work in process of \$1,310,256 and inventory of \$1,480,843 were expensed in the year ended December 31, 2019.

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20. Basic and diluted income (loss) per share

The calculation of basic and diluted loss per share for the three months ending March 31, 2020 was based on the loss attributable to common shareholders of \$1,501,384 (2019 – \$2,945,746) and the weighted average number of common shares outstanding of 70,931,596 (2019 – 62,409,946).

Diluted loss per share did not include the effect of 8,720,000 (2019 – 7,520,000) exercisable stock options, and 6,700,000 (2019 – 7,105,333) exercisable share purchase warrants as the effect would be anti-dilutive.

21. Segmented information

The Company has one reportable segment, being the development and marketing of hydrometallurgy solutions to the mining and E-waste sectors. The Company operates in the Canadian province of British Columbia.

The total revenue of \$213,427 (2019 - \$130,791) recorded during the year is allocated to the following recognized income streams:

	2020	2019
• Revenue from precious metal recovery	\$ 126,959	\$ 130,791
• Revenue from mining royalties and consulting fees	\$ 86,468	\$ -

22. General and administration

The costs included in General and administration are:

	Notes	Three months ending March 31, 2020	Three months ending March 31, 2019
Consulting costs		27,476	-
Management and employee	9	410,678	277,504
Marketing and promotion costs		17,045	22,290
Office and general		32,856	41,430
Public listing costs	9	121,745	34,136
Professional fees		44,641	44,251
Travel		89,880	76,381
Total		744,321	495,992

23. Subsequent events

On April 24, 2020, the company granted 400,000 options to a consultant with an exercise price of \$1.00 and an expiry of April 9, 2022 and 1,550,000 options to directors and management with an exercise price of \$0.76 and an expiry of April 24, 2025.

On April 24, 2020 50,000 options with an exercise price of \$0.25 were cancelled.

On May 23, 2020 200,000 options with an exercise price of \$0.25 were exercised.