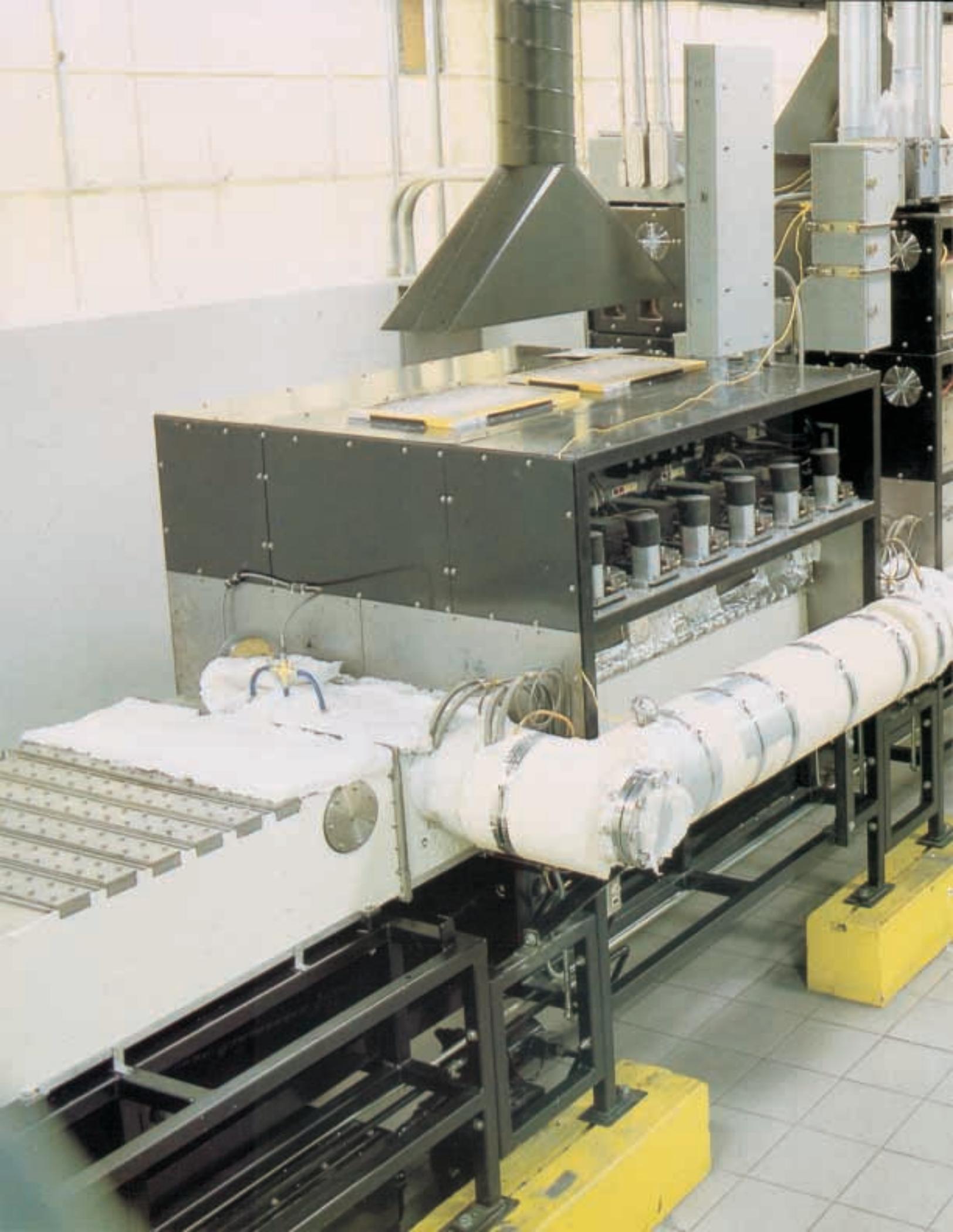


ANNUAL  
REPORT  
1994







## **Exxadon – 1994**

Dear Stockholder,

I am pleased to report that Exxadon/EWMC has exceeded all expectations for '94. I feel we are now standing on the brink of the future... and the view is most awesome.

Our short term projections in the areas of logistics, operations, research, development and production have been exceeded. Longer term strategic programs and plans are on target.

The commercial medical waste machine has been delivered by Reimelt KG of Germany to the Ajax facility and its assembly and wiring on-site is almost at its completion stage. Once assembled, final testing will immediately follow.

Intensive marketing programs have been simultaneously implemented... and with much success. It is therefore anticipated that as the medical waste machine acquires required certification, orders will be waiting to be filled.

The commercial tire machine has been completely computerized to assure its ability to easily handle all the demands made of it. Progress in this area is on schedule as forecast.

Our status in the international community has been further enhanced by our alliance with Reimelt KG of Germany on a worldwide basis. This international company brings with it, the expertise and commitment that provides an exceptional fit to Exxadon/EWMC's innovation and marketing acumen.

At the same time we continue to examine worldwide opportunities for ever expanded application venues.

The overall outlook for Exxadon/EWMC is a very positive one. Our progress to date augers well for future developments and success. I owe thanks to our management and marketing teams, our directors and our committed staff. I also owe appreciation to our stockholders for their confidence, trust and faith in our ability to harness the ecological demands of the globe, through a win/win process.

We believe we are well on the way and look forward to the coming months with great anticipation and zeal.

Sincerely,

A handwritten signature in black ink that reads "Thomas Fairfull". The signature is written in a cursive, flowing style.

Thomas A. Fairfull  
Chairman

# Technology & Innovation Join A

## REIMELT

DIETRICH REIMELT KG

Messerschloß Str. 37-45, D-63322 Rödelsheim/Frankfurt, Germany  
Tel: 06074 69 70 Fax: 06074 60 31



Reimelt and EWMC - Over a century of experience combined with a fundamental commitment to the future

Dear Shareholder:

The success of any company is determined as much by its outside business relationships as by its own experience, to our industry leadership, and to our future.

Our new partnership with EWMC is a prime example of just such a relationship, demonstrating how consistent growth can be accomplished through an intelligent combination of two companies that share a common belief in innovations, creativity and change.

For Reimelt, it is our challenge to find solutions and to develop new concepts that will reach beyond the status quo. We have met this challenge with over 100 years of experience, leadership and consistent success. And it is my firm belief that the enthusiasm, energy and innovation of EWMC coupled with the experience and reputation of Reimelt will make for a successful combination of two strengths, and help us all to meet the challenge of the future.

Sincerely,

Dr.-Ing. Stephan Reimelt  
President

## REIMELT

# forces Today... for Tomorrow



**EWMC**  
Environmental Waste  
Management Corporation

283 Station Street, Ajax  
Ontario L1S 1S3 Canada

Tel: (905) 688-8689  
Fax: (905) 428-8733

EWMC Technology Corporation is a  
public company, listed on the  
Canadian Stock Exchange (TSX) in  
Toronto. Trading symbol: EWMC.



## **EWMC and Reimelt - An innovative future combined with a wealth of experience**

Dear Shareholder:

As an investor in EWMC, you know that we thrive on establishing new and imaginative business relationships with corporations and individuals that share our commitment to innovation, creativity, experimentation, and solutions. It is these partnerships that have made us leaders, not followers, in the field of environmental technology.

For this reason, I take particular pleasure in announcing our latest, and possibly most exciting partnership - a relationship that brings two individual strengths together to form an even more dynamic and successful combination. **EWMC and Deitrich Reimelt KG** - a win-win partnership that combines the energy, creativity and enthusiasm of new ideas and solutions with the history, experience and leadership of over 100 years of successful operation.

Reimelt is one of the world's leading industrial manufacturers. Their commitment to maintaining a quality manufacturing process sets the industry standard. And their determination to find solutions, to reach beyond automation, and to intelligently combine advanced controls, reliable systems and superior technology makes them a leader - and an ideal partner for EWMC.

I am sure you will join me in welcoming Reimelt to the EWMC team - a collection of companies and individuals that still believe in the values of responsibility, innovation and change. That still believe in the future.

Sincerely,



Thomas A. Fairfull  
President





KPMG Peat Marwick Thorne  
Chartered Accountants

Markham/Richmond Hill Office  
95 Mural Street, Suite 300  
Richmond Hill, Ontario  
L4B 3G2

Telephone (905) 882-3200  
Telefax (905) 882-3210

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Exxadon Technology Corporation as at December 31, 1994 and December 31, 1993 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1994 and December 31, 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

*KPMG Peat Marwick Thorne*

Chartered Accountants

Richmond Hill, Canada

February 3, 1995



# EXXADON TECHNOLOGY CORPORATION

## Consolidated Balance Sheet

December 31, 1994 and 1993

	1994	1993
<b>Assets</b>		
Current assets:		
Cash and term deposits	\$ 508,670	\$ 1,769,475
Accounts receivable	23,475	134,492
Prepaid expenses	29,261	23,194
	<u>561,406</u>	<u>1,927,161</u>
Pilot plant and other equipment (note 2)	3,240,676	1,758,775
Patents and technology (net of accumulated amortization of \$155,000)	2,945,000	-
	<u>\$ 6,747,082</u>	<u>\$ 3,685,936</u>

## Liabilities and Shareholders' Equity

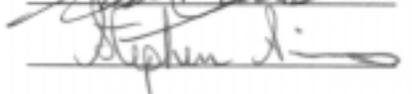
Current liabilities:		
Accounts payable and accrued expenses	\$ 536,309	\$ 244,521
Loans payable to former directors	-	71,097
	<u>536,309</u>	<u>315,618</u>
Shareholders' equity:		
Share capital (note 3)	8,980,787	4,286,588
Deficit	(2,770,014)	(916,270)
	<u>6,210,773</u>	<u>3,370,318</u>

Commitments (note 4)

	<u>\$ 6,747,082</u>	<u>\$ 3,685,936</u>
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See accompanying notes to financial statements.

On behalf of the Board:

 Director  
 Director



## EXXADON TECHNOLOGY CORPORATION

### Consolidated Statement of Operations and Deficit

Years ended December 31, 1994 and 1993

	1994	1993
Revenue:		
Licensing fee (note 5)	\$ 276,760	\$ -
Interest income	16,713	18,710
	<u>293,473</u>	<u>18,710</u>
Expenses:		
Depreciation and amortization	541,417	110,647
Wages, salaries and benefits	444,008	112,056
Advertising and promotion	376,596	297,269
Professional fees	228,602	43,070
Office and general	159,966	71,535
Royalties (note 7)	138,380	-
Consulting	88,970	114,075
Security	43,443	12,950
Utilities	33,722	5,606
Automobile	27,094	16,281
Telephone	22,970	27,854
Registrar's fees	13,120	9,662
Insurance	10,277	5,268
Capital taxes	9,448	10,500
Repairs and maintenance	6,912	15,705
Software	2,292	19,759
Commissions	-	15,000
	<u>2,147,217</u>	<u>887,237</u>
Net loss	1,853,744	868,527
Deficit, beginning of year	916,270	47,743
Deficit, end of year	<u>\$ 2,770,014</u>	<u>\$ 916,270</u>
Loss per share (note 6)	\$ 0.15	\$ 0.09

See accompanying notes to financial statements.



## EXXADON TECHNOLOGY CORPORATION

### Consolidated Statement of Changes in Financial Position

Years ended December 31, 1994 and 1993

	1994	1993
Cash provided by (used in):		
Operations:		
Net loss	\$ (1,853,744)	\$ (868,527)
Depreciation which does not involve cash	541,417	110,647
Changes in non-cash operating working capital		
Accounts receivable	111,017	(126,681)
Prepaid expenses	(6,067)	(23,194)
Accounts payable and accrued liabilities	291,788	244,521
	(915,589)	(663,234)
Financing:		
Repayment of loans payable	(71,097)	(197,660)
Issue of share capital:		
For cash	1,594,199	4,286,488
In exchange for reduction of future royalties	3,100,000	—
	4,623,102	4,088,828
Investments:		
Expenditures on pilot plant and other equipment	(1,868,318)	(1,734,422)
Patents and technology	(3,100,000)	—
	(4,968,318)	(1,734,422)
(Decrease) increase in cash position	(1,260,805)	1,691,172)
Cash and term deposits, beginning of year	1,769,475	78,303
Cash and term deposits, end of year	\$ 508,670	\$ 1,769,475

See accompanying notes to financial statements.



# EXXADON TECHNOLOGY CORPORATION

Notes to Consolidated Financial Statements

Years ended December 31, 1994 and 1993

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The Company controls certain technology that has application in the manufacture of machines which reduce various waste material to their original component state and/or carbon black. The Company's principal business is the licensing and sale of this technology and related machines throughout the world.

## 1. Significant accounting policies:

### (a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiary Environmental Waste Management Corporation ("EWMC"). On July 27, 1993, control of the Company was acquired by the former shareholders of EWMC by exchanging their shares in EWMC for newly issued shares of the Company. The results of operations prior to this date are those of EWMC only.

The Company has a long-term agreement to use technology that has not yet been proven as to its economic viability. The recoverability of pilot plant and other equipment is dependent upon the company entering into economically viable revenue producing activities.

### (b) Pilot plant and other equipment:

Pilot plant and other equipment are stated at cost. The pilot plant did not become fully operational until 1994 and accordingly depreciation expense on it was not recorded in prior years. Depreciation is provided using the following methods and annual rates:

Asset	Basis	Rate
Pilot plant	Straight-line	10 years
Computer equipment	Declining balance	30%
Equipment and furniture	Declining balance	20%
Forklift	Declining balance	20%
Vehicle	Declining balance	30%
Leasehold improvements	Straight-line	5 years

### (c) Patents and technology:

Patents and technology are recorded at cost and amortized over a ten year period not to exceed the life of the patent.



## EXXADON TECHNOLOGY CORPORATION

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 1994 and 1993

### 2. Pilot plant and other equipment:

			1994
	Cost	Accumulated depreciation	Net book value
Pilot plant	\$ 2,044,160	\$ 102,208	\$ 1,941,952
Computer equipment	268,933	65,222	203,711
Equipment and furniture	381,465	100,999	280,466
Forklift	8,245	2,308	5,937
Vehicle	46,990	7,049	39,941
Leasehold improvements	987,947	219,278	768,669
	<b>\$ 3,737,740</b>	<b>\$ 497,064</b>	<b>\$ 3,240,676</b>

			1993
	Cost	Accumulated depreciation	Net book value
Pilot plant	\$ 811,743	\$ —	\$ 811,743
Computer equipment	97,575	14,636	82,939
Equipment and furniture	349,440	34,944	314,496
Forklift	8,245	825	7,420
Leasehold improvements	602,419	60,242	542,177
	<b>\$ 1,869,422</b>	<b>\$ 110,647</b>	<b>\$ 1,758,775</b>



## EXXADON TECHNOLOGY CORPORATION

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 1994 and 1993

### 3. Share capital:

	1994		1993	
	Number	Amount	Number	Amount
Authorized:				
Unlimited number of common shares				
Issued and outstanding:				
Balance, beginning of year	12,114,800	\$ 4,286,588	12,193,383	\$ 100
Issued to former director:				
On conversion of debt	—	—	3,100,000	—
Less shares cancelled in exchange for mining assets of former Monte Carlo Gold Mines Ltd.	—	—	(70,000)	—
Issued to former shareholders of EWMC on acquisition	—	—	87,806,617	—
	12,114,800	4,286,588	103,030,000	100
Consolidation of shares 10 for 1	—	—	10,303,000	—
Issued in exchange for reduction in future royalty payments (note 7)	1,000,000	3,100,000	—	—
Issued for cash:				
Private placement (net of share issue costs of \$7,500; 1993 - \$207,369)	47,619	142,500	1,431,800	3,097,038
Under option agreements	881,186	1,451,699	380,000	1,189,450
Balance, end of year	14,043,605	\$ 8,980,787	12,114,800	\$ 4,286,588

During 1994 and 1993, the Company granted options to Company directors and others to purchase 1,994,028 common shares of which 1,341,714 remain outstanding at December 31, 1994 at prices ranging from \$1.53 to \$3.57 per share. These options expire at varying dates during 1995 and 1996.

The Company has assigned warrants to purchase 500,000 common shares at a price of \$8.00 per share for a period of three years (note 7). The Company also assigned 23,810 warrants as part of the private placement noted above to purchase 47,620 common shares at a price of \$3.60 per share until June 1996.



## EXXADON TECHNOLOGY CORPORATION

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 1994 and 1993

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#### 4. Commitments:

The Company is committed to future minimum lease payments under an operating lease, expiring April 30, 1998, for premises as follows:

1995	\$	58,044
1996		65,780
1997		69,648
1998		23,216

#### 5. Segmented information and contingency:

All licensing fees were from a corporation in England. The Company has been named as a defendant in a lawsuit for breach of contract by this corporation. The Company has filed a counter claim seeking damages for amounts in excess of the amount sought by the plaintiff. The amount of any loss or gain cannot be determined at this time. Any settlement resulting from the resolution of the contingency would be accounted for as a prior period adjustment.

#### 6. Loss per share:

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the year. Had the shares under option and the warrants, referred to in note 3, been exercised, 1994 and 1993 loss per share would not have changed.

#### 7. Significant agreements:

The Company has entered into an agreement with an unrelated company, CLE Management Inc. ("CLE") to use certain technology, patents and other information owned by CLE. The Company has agreed to make royalty payments to CLE totalling 50% of any licensing fees received and 20% on the net cost of each machine up to \$250,000 sold, 15% on the net cost of each machine between \$250,000 and \$500,000 and 10% on the net cost of each machine in excess of \$500,000. This agreement runs in perpetuity, has no minimum performance requirement and covers North America, Europe and the Middle East countries. The Company purchased its pilot plant from CLE to assist in the marketing of this technology and patents.

In December 1994 the Company issued 1,000,000 common shares at an assigned value of \$3,100,000 and assigned warrants to purchase 500,000 common shares at a price of \$8.00, in exchange for a reduction in the royalty rates to those described above.



## **EXXADON TECHNOLOGY CORPORATION**

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 1994 and 1993

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### **8. Related party transactions:**

During the year ended December 31, 1994 the Company purchased marketing and other materials for approximately \$88,000 from a company controlled by a person related to the president (1993 - \$30,000).

### **9. Income taxes:**

The Company and its subsidiary have losses for income tax purposes of approximately \$2,012,000 available to offset future taxable income, the benefit of which has not been reflected in these financial statements. These losses substantially expire in the year 2000 and 2001. In addition, the Company has assets for which deductions available in future years exceed the recorded net book values by approximately \$498,000.

