

Interim Condensed Consolidated Financial Statements

**Environmental Waste International Inc.**

For the six months ended June 30, 2019

**Notice to Reader**

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The accompanying unaudited interim condensed consolidated financial statements of Environmental Waste International Inc. (“EWI” or the “Company”) for the three and six months ended June 30, 2019 and 2018 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been audited, reviewed or verified by the Company’s external auditors or any other accounting firm.

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## **Responsibility for unaudited interim consolidated financial statements**

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The accompanying unaudited interim condensed consolidated financial statements of Environmental Waste International Inc. have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) consistently applied. The most significant of these accounting principles have been set out in the December 31, 2018 audited financial statements.

### **Auditor Involvement**

The Auditor of Environmental International Waste Inc. has not performed a review of these interim condensed consolidated financial statements.

Ajax, Ontario

August 27, 2019

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**Environmental Waste International Inc.**

Incorporated under the laws of Ontario

**Interim condensed consolidated statements of financial position**

[Expressed in Canadian dollars]

[Unaudited]

As at

	June 30 2019	December 31 2018
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	74,933	13,382
Accounts receivable	46,311	51,055
Prepaid expenses and sundry	69,363	64,900
<b>Total current assets</b>	<b>190,607</b>	<b>129,337</b>
Property and equipment, net <i>[note 5]</i>	1,122,385	1,164,296
Right of use asset <i>[note 11]</i>	97,228	—
	<b>1,410,220</b>	<b>1,293,633</b>
<b>Liabilities and shareholders' equity (deficiency)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	910,197	946,726
Provisions <i>[note 6]</i>	81,600	81,600
Advances from director <i>[note 7[a]]</i>	128,803	—
Current portion of lease liability <i>[note 11]</i>	28,296	—
Current portion of term loan payable <i>[note 7[b]]</i>	2,173,333	2,133,333
Current portion of promissory note payable <i>[note 7[c]]</i>	1,694,910	1,648,794
Current portion of mortgages payable <i>[note 7[e]]</i>	19,308	19,308
Deferred revenue	18,210	66,061
<b>Total current liabilities</b>	<b>5,054,657</b>	<b>4,895,822</b>
Lease liability <i>[note 11]</i>	70,348	—
Convertible loan payable <i>[note 7[d]]</i>	1,134,569	1,048,195
Derivative liability <i>[note 7[d]]</i>	557,054	557,054
Mortgages payable <i>[note 7[e]]</i>	4,179	13,684
<b>Total liabilities</b>	<b>6,820,807</b>	<b>6,514,755</b>
<b>Shareholders' deficiency</b>		
Capital stock <i>[note 8]</i>	48,658,125	48,658,125
Shares to be issued <i>[note 8]</i>	475,000	—
Contributed surplus <i>[note 8]</i>	6,024,952	5,971,088
Deficit	(60,467,304)	(59,748,975)
Deficiency attributable to owners of the Parent	(5,309,227)	(5,119,762)
Non-controlling interests	(101,360)	(101,360)
<b>Total shareholders' deficiency</b>	<b>(5,410,587)</b>	<b>(5,221,122)</b>
	<b>1,410,220</b>	<b>1,293,633</b>

Going concern *[note 3]*Commitments and contingencies *[note 10]*Subsequent events *[note 13]*

See accompanying notes

Approved by the Board:

**"Emanuel Gerard"**  
Director

**"Robert MacBean"**  
Director

**Environmental Waste International Inc.**

**Interim condensed consolidated statements of loss and comprehensive loss**

[Expressed in Canadian dollars]

[Unaudited]

Three and six months ended June 30, 2019 and 2018

	<b>3 months ended</b>	3 months ended	<b>6 months ended</b>	6 months ended
	<b>June 30</b>	June 30	<b>June 30</b>	June 30
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
Sales	<b>42,001</b>	49,488	<b>83,675</b>	111,151
<b>Expenses</b>				
Operating, labour and manufacturing <i>[note 9]</i>	<b>278,752</b>	317,271	<b>508,120</b>	623,847
Stock-based compensation <i>[note 8]</i>	<b>22,874</b>	14,844	<b>53,864</b>	33,076
Depreciation <i>[note 5, 11]</i>	<b>28,632</b>	21,315	<b>57,263</b>	42,631
Finance expense – interest on director advances <i>[note 7[a]]</i>	<b>1,802</b>	—	<b>2,240</b>	—
Finance expense - interest on lease liability <i>[note 11]</i>	<b>1,550</b>	—	<b>3,204</b>	—
Finance expense – interest on term loan payable <i>[note 7[b]]</i>	<b>20,000</b>	20,000	<b>40,000</b>	40,000
Finance expense – interest on promissory note payable <i>[note 7[c]]</i>	<b>23,058</b>	18,505	<b>46,116</b>	32,571
Finance expense – interest on convertible loan payable <i>[note 7[d]]</i>	<b>16,875</b>	16,875	<b>33,750</b>	33,750
Finance expense – interest on mortgages payable <i>[note 7[e]]</i>	<b>401</b>	681	<b>864</b>	1,415
Accretion expense - convertible loan payable <i>[note 7[d]]</i>	<b>27,297</b>	22,680	<b>52,624</b>	45,360
Foreign exchange loss	<b>1,849</b>	(854)	<b>3,959</b>	2,471
	<b>423,090</b>	431,317	<b>802,004</b>	855,121
<b>Net loss and comprehensive loss for the period</b>	<b>(381,089)</b>	(381,829)	<b>(718,329)</b>	(743,970)
<b>Net loss and comprehensive loss attributable to:</b>				
Shareholders	<b>(381,089)</b>	(381,829)	<b>(718,329)</b>	(743,970)
Non-controlling interests	<b>—</b>	—	<b>—</b>	—
	<b>(381,089)</b>	(381,829)	<b>(718,329)</b>	(743,970)
<b>Loss per share – basic and diluted</b> <i>[note 8]</i>	<b>(0.002)</b>	(0.002)	<b>(0.004)</b>	(0.005)
<b>Weighted average number of shares outstanding –</b>				
<b>basic and diluted</b> <i>[note 8]</i>	<b>165,827,736</b>	165,827,736	<b>165,827,736</b>	163,848,039

See accompanying notes

Environmental Waste International Inc.

Interim condensed consolidated statements of changes in shareholders' deficiency

[Expressed in Canadian dollars]

[Unaudited]

Six months ended June 30, 2019 and 2018

	Capital stock	Shares to be issued	Contributed surplus	Warrants	Deficit	Total attributable to owners of the parent	Non- controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2017</b>	48,393,195	114,000	5,900,756	—	(58,606,070)	(4,198,119)	(101,360)	(4,299,479)
Options issued [note 8]	—	—	33,076	—	—	33,076	—	33,076
Share subscriptions issued [note 8]	—	(114,000)	—	—	—	(114,000)	—	(114,000)
Shares issued for share subscriptions	264,930	—	—	—	—	264,930	—	264,930
Net loss and comprehensive loss for the period	—	—	—	—	(743,970)	(743,970)	—	(743,970)
<b>Balance, June 30, 2018</b>	<b>48,658,125</b>	<b>—</b>	<b>5,933,832</b>	<b>—</b>	<b>(59,350,040)</b>	<b>(4,758,083)</b>	<b>(101,360)</b>	<b>(4,859,443)</b>
<b>Balance, December 31, 2018</b>	48,658,125	—	5,971,088	—	(59,748,975)	(5,119,762)	(101,360)	(5,221,122)
Options issued [note 8]	—	—	53,864	—	—	53,864	—	53,864
Shares to be issued [note 8]	—	475,000	—	—	—	475,000	—	475,000
Net loss and comprehensive loss for the period	—	—	—	—	(718,329)	(718,329)	—	(718,329)
<b>Balance, June 30, 2019</b>	<b>48,658,125</b>	<b>475,000</b>	<b>6,024,952</b>	<b>—</b>	<b>(60,467,304)</b>	<b>(5,309,227)</b>	<b>(101,360)</b>	<b>(5,410,587)</b>

See accompanying notes

## Environmental Waste International Inc.

### Interim condensed consolidated statements of cash flows

[Expressed in Canadian dollars]

[Unaudited]

Six months ended June 30, 2019 and 2018

	<b>6 months ended June 30 2019</b>	6 months ended June 30 2018
	\$	\$
<b>Operating activities</b>		
Net loss for the period	<b>(718,329)</b>	(743,970)
Add items not involving cash		
Depreciation	<b>57,263</b>	42,631
Finance expense	<b>122,106</b>	106,321
Accretion expense	<b>52,624</b>	45,360
Stock-based compensation	<b>53,864</b>	33,076
	<b>(432,472)</b>	(516,582)
Changes in non-cash working capital balances related to operations		
Accounts receivable	<b>4,744</b>	12,216
Prepaid expenses and sundry	<b>(4,463)</b>	(914)
Deferred revenue	<b>(47,851)</b>	(44,907)
Accounts payable and accrued liabilities	<b>(36,529)</b>	72,413
Provisions	<b>—</b>	(61,200)
<b>Cash used in operating activities</b>	<b>(516,571)</b>	(538,974)
<b>Financing activities</b>		
Proceeds from private placements	<b>—</b>	150,930
Shares to be issued	<b>475,000</b>	—
Increase in promissory note	<b>—</b>	426,303
Advances from director	<b>126,563</b>	—
Principal payments on lease liabilities	<b>(13,936)</b>	—
Repayments of mortgages payable	<b>(9,505)</b>	(8,959)
<b>Cash provided by financing activities</b>	<b>578,122</b>	568,274
<b>Net increase in cash during the period</b>	<b>61,551</b>	29,300
Cash, beginning of period	<b>13,382</b>	27,537
<b>Cash, end of period</b>	<b>74,933</b>	56,837

See accompanying notes

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## **Environmental Waste International Inc.**

### **Notes to interim condensed consolidated financial statements**

June 30, 2019 and 2018

#### **1. Corporate information**

Environmental Waste International Inc. ["EWI" or the "Company"] is incorporated under the *Ontario Business Corporations Act*. The Company's business is the design, development and sale of environmentally sound devices utilizing EWI's patented Reverse Polymerization process and dealing with environmental waste disposal, including the development, advancement, licensing and sale of its technology and related machines throughout the world. The Company's registered office is located at 360 Frankcom Street, Ajax, Ontario, L1S 1R5.

The Company's success depends on the commercialization of its Reverse Polymerization technology. Recurring sources of revenue have not yet proven to be sufficient as the commercialization of the Company's core technology is at an early stage and the Company has not achieved a level of profitability and positive cash flows. The Company needs to obtain additional financing to enable it to continue operations. In the absence of additional financing, the Company is not expected to have sufficient funds to meet its obligations. Management continues to monitor cash needs and is considering various alternatives to raise additional financing. There can be no assurances that the Company will be able to secure the necessary financing to enable it to continue as a going concern. The factors noted above indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. If the going concern basis is not appropriate, material adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities

#### **2. Basis of preparation and statement of compliance**

##### **Statement of compliance**

The unaudited interim condensed consolidated financial statements of EWI have been prepared in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" (IAS 34). The notes presented in these unaudited interim consolidated financial statements include only significant events and transactions occurring since the last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited consolidated financial statements.

The policies applied in these unaudited interim condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved the interim condensed consolidated financial statements on August 27, 2019.

##### **Basis of Measurement**

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain instruments that are measured at fair value.

##### **Functional and Presentation Currency**

These interim condensed consolidated financial statements are presented in Canadian dollar, which is the Company's financial currency.



## **Environmental Waste International Inc.**

### **Notes to interim condensed consolidated financial statements**

June 30, 2019 and 2018

#### **3. Going concern assumption**

These interim condensed consolidated financial statements have been prepared on a basis that assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These interim condensed consolidated financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company incurred a net loss of \$718,329 during the six months ended June 30, 2019 [2018 – \$743,970] and, as at June 30, 2019 had a working capital deficiency of \$4,864,050 [December 31, 2018 – \$4,766,485] and a cumulative deficit of \$60,467,304 [2018 – \$59,748,975]. Recurring sources of revenue have not yet proven to be sufficient as the commercialization of the Company's core technology is at an early stage and the Company has not yet achieved a level of profitability and positive cash flows. The Company needs to obtain additional financing to enable it to continue operations. In the absence of additional financing, the Company is not expected to have sufficient funds to meet its obligations. Management continues to monitor cash needs and is considering various alternatives to raise additional financing. There can be no assurances that the Company will be able to secure the necessary financing to enable it to continue as a going concern. The factors noted above indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. If the going concern basis is not appropriate, material adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities.

#### **4. Summary of significant accounting policies**

The Company's principal accounting policies were outlined in the Company's annual audited consolidated financial statements for the year ended December 31, 2018 and have been applied consistently to all periods presented in these unaudited interim consolidated financial statements. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2018.

##### **Basis of consolidation**

The unaudited condensed interim consolidated financial statements include the accounts of the Company and the following subsidiaries: Environmental Waste Management Corporation [100% equity interest], Jaguar Carbon Sales Limited [100% equity interest], Ellsin [100-% equity interest], EWI Rubber Inc. [100% equity interest], 2228641 Ontario Limited [100% equity interest] and EWILP [Company is primary beneficiary]. Environmental Waste International Inc. is the parent company.

##### **New accounting policies**

Except for the adoption of IFRS 16, the accounting policies applied in these interim condensed consolidated financial statements are consistent with those disclosed in Note 3 to the annual consolidated financial statements for the year ended December 31, 2018.

##### **IFRS 16 Leases**

The Company has adopted IFRS 16 with an initial adoption date of January 1, 2019. The Company utilized the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 17, Leases and related interpretations. IFRS 16 specifies how leases will be recognized, measured, presented and disclosed and it provides a single lessee model, requiring lessees to recognize right-of-use assets and lease liabilities for all major leases.

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### IFRS 16 Leases (continued)

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

The Company assesses, at the inception of contract, whether it contains a lease. A contract is classified as a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses:

- Whether the contract involves the use of an identified asset. This can be specified explicitly or implicitly and should be physically distinct or represents substantially all of the capacity of a physically distinct asset.
- Whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- Whether the Company has the right to direct use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct use of the asset if either:
  - i. The Company has the right to operate the asset; or
  - ii. The Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred.

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined using the same criteria as those for property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses and adjusted for certain remeasurements of the lease liability, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate.

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 5. Property and equipment

Property and equipment consist of the following:

	Land \$	Building \$	Fixtures \$	Computer equipment \$	Office equipment \$	Equipment – gas engine \$	Total \$
<b>Cost</b>							
As at December 31, 2017	68,261	984,994	71,060	36,725	38,566	719,169	1,918,775
As at December 31, 2018	68,261	984,994	71,060	36,725	38,566	719,169	1,918,775
As at June 30, 2019	<b>68,261</b>	<b>984,994</b>	<b>71,060</b>	<b>36,725</b>	<b>38,566</b>	<b>719,169</b>	<b>1,918,775</b>
<b>Accumulated depreciation</b>							
As at December 31, 2017	—	243,181	33,159	34,512	24,295	334,071	669,218
Depreciation charge	—	29,673	4,737	664	2,243	47,945	85,261
As at December 31, 2018	—	272,854	37,896	35,176	26,538	382,106	754,479
Depreciation charge	—	14,243	2,367	232	1,097	23,972	41,911
As at June 30, 2019	<b>—</b>	<b>287,097</b>	<b>40,263</b>	<b>35,408</b>	<b>27,635</b>	<b>406,078</b>	<b>796,390</b>
<b>Net book value</b>							
As at June 30, 2019	<b>68,261</b>	<b>697,897</b>	<b>30,797</b>	<b>1,317</b>	<b>10,933</b>	<b>313,091</b>	<b>1,122,385</b>
As at December 31, 2018	<b>68,261</b>	<b>712,141</b>	<b>33,161</b>	<b>1,549</b>	<b>12,029</b>	<b>337,155</b>	<b>1,164,296</b>

#### 6. Provisions

	June 30 2019 \$	December 31 2018 \$
Balance, beginning of period	<b>81,600</b>	163,200
Paid during the period	—	(81,600)
Balance, end of period	<b>81,600</b>	81,600

The provision balance consists of an accrual of one year's annual salary to a former CEO of the Company. In March 2017, the claim was settled for \$255,000 payable over 25 months in equal installments of \$10,200 per month commencing April 2017.

During the year ended December 31, 2018, 8 monthly installments were made from January to August 2018 totaling \$81,600. An agreement was made between the Company and the former CEO of the Company to defer the remaining installments which are expected to re-commence in the second half of fiscal 2019.

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 7. Loans and borrowings

[a] During the six months ended June 30, 2019, a director of the Company advanced a total of \$126,563 to the Company for working capital purposes. Interest is 6% annually and \$2,240 has been recorded as interest expense during the six months ended June 30, 2019 [June 30, 2018 - \$nil]

[b] Term loan payable consists of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
Fixed rate, non-revolving term loan from the Northern Ontario Heritage Fund Corporation ["NOHFC"], with interest at 4% per annum, payable by March 23, 2020	<b>2,173,333</b>	2,133,333
Less current portion	<b>2,173,333</b>	2,133,333
	—	—

On May 8, 2017, the Company repaid the NOHFC \$339,762 representing all unpaid and accrued interest until that date. On May 18, 2017, the Company and the NOHFC signed a third amendment to the loan agreement to further defer the interest and principal payments to April 30, 2018. Interest will continue to accrue on the outstanding principal of the loan and accrued interest, compounded monthly. Payments have not commenced effective May 1, 2018 as per amendment agreement. The company is currently in discussions with the NOHFC regarding new terms of repayment for this loan.

The amount of interest accrued at June 30, 2019 was \$173,333 [December 31, 2018- \$133,333].

Total interest expense during the six months ended June 30, 2019 was \$40,000 (2018 - \$40,000).

[c] Promissory note payable consists of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
Promissory note payable, with interest at 6% per annum, payable on September 30, 2019	<b>1,694,910</b>	1,648,794
Less current portion	<b>1,694,910</b>	1,648,794
	—	—

In 2017, the Company received net proceeds of \$903,000 in the form of a promissory note which bears interest at 6%. During 2017 and 2018 the principal balance was increased by additional proceeds totaling \$634,210 for a balance of \$1,537,209 at December 31, 2018 and June 30, 2019.

Accrued interest of \$157,130 was included in the balance as at June 30, 2019. [December 31, 2018 - \$111,014]. Interest expense for the six months ended June 30, 2019 was \$46,116 (2018 - \$32,571).

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 7. Loans and borrowings - continued

[d] Convertible loan payable consists of the following:

	June 30 2019	December 31 2018
	\$	\$
Face value of convertible loan payable upon issuance	1,350,000	1,350,000
Less: conversion feature	(423,433)	(423,433)
Less: warrant liability	(120,954)	(120,954)
Less: debt issue costs	(28,177)	(28,177)
Carrying value of convertible loan on initial recognition	777,436	777,436
Accrued interest payable at 5%	146,250	112,500
Accrued accretion expense	210,883	158,260
	<b>1,134,569</b>	<b>1,048,196</b>
Less current portion	—	—
	<b>1,134,569</b>	<b>1,048,196</b>

In 2017, the Company received proceeds of \$1,350,000 through the issuance of a 5 year 5% unsecured convertible loan payable. The note payable is convertible at a price of \$0.11 per common share. Accrued interest is required to be paid annually and, may be payable in cash or common shares of the Company at the Company's discretion. In addition, the Company issued 3,712,500 common share purchase warrants that entitle the holder to receive one common share at a price of \$0.11 for a period of five years.

The conversion feature and the warrants have been recorded as a derivative liability as the exercise price may be adjusted upon the issuance or deemed issuance of additional common shares at a price less than the conversion price contained in the convertible debenture and warrants. The fair value of the derivative liability upon issuance was \$544,387 as valued using a Monte Carlo simulation with the following assumptions: risk free rate of return of 1%, expected share volatility of 152.9%, dividend yield of 0%, expected life of 5 years, the probability of a subsequent equity raise and expected issuance price. Debt issuance costs of \$28,177 were reduced from the value of the loan at the time of issuance. The residual value of \$777,436 was allocated to the convertible loan payable which has an effective interest rate of 19%.

The derivative liability was re-valued as at December 31, 2018 at \$557,054 using a Monte Carlo simulation with the following assumptions: risk free rate of return of 1.86%, expected share volatility of 122.4%, dividend yield of 0%, expected life of 3.3 years.

Accretion expense for the six months ended June 30, 2019 was \$52,624 (2018 - \$45,360), and interest expense was \$33,750 (2018 - \$33,750).

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 7. Loans and borrowings - continued

[e] Mortgages payable consist of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
Fixed-rate first mortgage, ten-year amortization period, with interest at 6% per annum, calculated monthly, repayable on August 1, 2020	<b>23,487</b>	32,992
Less current portion	<b>19,308</b>	19,308
	<b>4,179</b>	13,684

Total interest of \$864 was recorded for the six months ended June 30, 2019 (2018 - \$1,415).

The security for the above mortgages is as follows:

[i] First mortgage

A fixed and floating charge on the business assets of Ellsin Environmental Ltd. by way of a General Security Agreement subordinate to the NOHFC, covering all assets other than real property.

[ii] Principal repayments over the next five years and thereafter are as follows:

	\$
2019	19,308
2020	4,179
	<b>23,487</b>

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 8. Share capital and reserves

**Authorized** - Unlimited common shares  
Issued and outstanding

	Number of shares #	Amount \$
<b>Balance, December 31, 2016</b>	<b>140,191,205</b>	<b>46,101,502</b>
Conversion of promissory note payable <sup>[1]</sup>	6,277,810	627,781
Conversion of convertible loan payable <sup>[1]</sup>	5,284,900	528,490
Transfer of residual value of converted loan payable <sup>[1]</sup>	—	126,083
Conversion of loans payable <sup>[2]</sup>	1,577,010	63,080
Issuance of shares pursuant to share subscriptions <sup>[2]</sup>	6,135,011	662,938
Issuance of warrants <sup>[2]</sup>	—	(2,842)
Private placements <sup>[2]</sup>	3,712,500	371,250
Share issuance costs	—	(85,087)
<b>Balance, December 31, 2017</b>	<b>163,178,436</b>	<b>48,393,195</b>
Issuance of shares pursuant to share subscriptions <sup>[3]</sup>	2,649,300	264,930
<b>Balance December 31, 2018 and June 30, 2019</b>	<b>165,827,736</b>	<b>48,658,125</b>

<sup>[1]</sup> In 2017, the holder of both a promissory note payable and a convertible loan payable exercised their right for conversion and elected to convert their debt and accrued and unpaid interest into 6,277,810 and 5,284,900 common shares of the Company respectively at \$0.10 per common share for a total value of \$1,156,271. The residual value of the converted loan payable of \$126,083 was transferred from equity component of convertible debt to share capital.

<sup>[2]</sup> In 2017, the Company converted \$157,701 of loans into common shares. The fair value of the equity on the date of conversion of \$63,080 was recorded as share capital. Of this debt, \$107,201 were loans due to directors of the Company and were converted at \$0.10 per common share for a total of 1,072,010 common shares. \$50,500 convertible loan payable was also converted at \$0.10 per common share for a total of 505,000 common shares. In addition, 6,135,011 common shares pursuant to subscription agreements were issued.

Pursuant to a financing, the Company completed a private placement totaling \$1,721,250. The Company issued 3,712,500 common shares at a price of \$0.10 per common share for proceeds of \$371,250

The Company incurred share issuance costs of \$85,087 relating the equity transactions during 2017.

<sup>[3]</sup> In 2018, the Company completed a private placement and issued 2,649,300 common shares at a price of \$0.10 per common share for gross proceeds of \$264,930

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 8. Share capital and reserves – continued

Shares to be issued	Number of shares subscribed #	Amount \$
<b>Balance, December 31, 2018</b>	—	—
Share subscriptions signed <sup>[1]</sup>	9,500,000	475,000
<b>Balance, June 30, 2019</b>	<b>9,500,000</b>	<b>475,000</b>

<sup>[1]</sup> On April 30, 2019, the Company received proceeds of \$475,000 pursuant to share subscription arrangements whereby the Company agreed to issue common shares at a price of \$0.05 per share, and one half of a warrant at \$0.20 per warrant.

#### Share-based payment plans

The Board of Directors has established a stock option plan [the “Plan”] under which options to purchase shares are granted to directors, employees, officers and consultants of the Company. The number of options and exercise price thereof is set by the Board of Directors at the time of grant, provided that the exercise price shall not be less than the market price of the common shares on the day immediately preceding the date of grant of the options, on the stock exchange on which such shares are then traded.

Subject to the guidelines contained in the Plan, the Company has adopted a 10% rolling stock option plan dated May 6, 2013 and approved by the Board of Directors on May 9, 2013 and by the shareholders of the Company on June 11, 2013, pursuant to which the Board of Directors may, from time to time, authorize the issuance of options to directors, employees, officers and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares at the time of the grant.

The following options to purchase shares were outstanding on June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
<b>Balance, beginning of period</b>	<b>14,505,000</b>	<b>0.10</b>	14,625,000	0.11
Expired	<b>(3,280,000)</b>	<b>(0.10)</b>	(1,605,000)	(0.16)
Granted	<b>618,750</b>	<b>0.15</b>	1,485,000	0.10
<b>Balance, end of period</b>	<b>11,843,750</b>	<b>0.10</b>	14,505,000	0.10



## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 8. Share capital and reserves – continued

A summary of stock options outstanding and exercisable as at June 30, 2019 is set out below:

Range of exercise prices \$	Outstanding and exercisable stock options		
	Number of options #	Weighted average remaining contractual life [years]	Weighted average exercise price \$
0.10	10,356,250	1.68	0.10
0.11	1,075,000	1.93	0.11
0.18	412,500	4.77	0.18
	<b>11,843,750</b>	<b>1.81</b>	<b>0.10</b>

During the six months ended June 30, 2019, 3,280,000 stock options with an exercise price of \$0.10 expired. In addition, the Company granted a total of 618,750 stock options including 206,250 at \$0.10 and 412,500 at \$0.18. These stock options vest on the grant date and have a term of five years.

The fair value of all options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0% [2018 – 0%]; expected volatility of 188% [2018 – 186%]; risk-free interest rates of 1.74% [2018 – 1.0%]; and an average expected life of five years [2018 – five years]. This resulted in stock-based compensation expense of \$53,684 during the six months ended June 30, 2019 [2018 – \$33,076].

#### Warrants

There were no warrant transactions during the six months ended June 30, 2019 or during 2018.

Pursuant to the financing that closed in 2017, the Company issued 3,712,500 common share purchase warrants that entitle the holder to receive one common share at a price of \$0.11 for a period of five years. The value of these warrants has been accounted for as a derivative liability. [note 7[d)].

A summary of the status of the Company's warrants at June 30, 2019 are as follows:

Balance, December 31, 2017, 2018 and June 30, 2019	Outstanding and exercisable warrants		
	Number of warrants #	Weighted average remaining contractual life [years]	Weighted average exercise price \$
	3,712,500	2.84	0.11

**Environmental Waste International Inc.**

**Notes to interim condensed consolidated financial statements**

June 30, 2019 and 2018

**8. Share capital and reserves – continued**

**Contributed surplus**

	<b>June 30</b>	December 31
	<b>2019</b>	2018
	\$	\$
<b>Balance, beginning of period</b>	<b>5,971,088</b>	5,900,756
Stock options granted and/or vested during the period	<b>53,864</b>	70,332
<b>Balance, end of period</b>	<b>6,024,952</b>	5,971,088

**Per share amounts**

For the six months ended June 30, 2019, the weighted average number of shares outstanding was 165,827,736 [2018 – 163,848,069]. As at June 30, 2019, the Company had 11,843,750 [December 31, 2018 – 14,505,000] stock options and 3,712,500 warrants [2018 – 3,712,500 warrants] as well as convertible instruments that were outstanding and anti-dilutive and therefore were excluded from the computation of diluted loss per share

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 9. Related party disclosures

[a] Transactions with related parties other than key management personnel

During the period, the Company engaged in transactions in the normal course of operations with the following related parties. All of these transactions have been accounted for at the exchange amount agreed to by the transacting parties as follows:

The Company recognized an expense during the six months ended June 30, 2019 for interest on loans to the directors of \$82,106 [2018 – \$66,321]. At June 30, 2019, \$305,620 was included in loans payable [December 31, 2018 - \$223,514)

As at June 30, 2019 the Company has \$55,446 [December 31, 2018 – \$51,215] included in accounts payable and accrued liabilities owing to directors in addition to the interest included in accounts payable and accrued liabilities.

[b] Transactions with key management personnel

The Company recorded compensation expense during the six months ended June 30, 2019 in the amount of \$129,700 [2018 – \$149,113] and share-based compensation in the amount of \$10,565 [2018 – \$9,061] to key management personnel.

Accounts payable as at June 30, 2019, includes \$535,276 [December 31, 2018 – \$482,504] related to compensation of key management personnel.

## **Environmental Waste International Inc.**

### **Notes to interim condensed consolidated financial statements**

June 30, 2019 and 2018

#### **10. Commitments and contingencies**

##### Contingencies

Under its by-laws, the Company indemnifies its directors/officers, former directors/officers and individuals who have acted at the Company's request to be a director/officer of an entity in which the Company is a shareholder, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. Indemnification claims will be subject to any statutory or other legal limitation period. There are no indemnification claims known to the Company at this time. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in these consolidated financial statements with respect to any indemnifications.

During the ordinary course of business activities, the Company may be party to claims and may be contingently liable for litigation. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

#### **11. IFRS 16 - Adoption of lease accounting**

The Company has applied IFRS 16 using the modified retrospective method for the lease for its office premises in Ajax, Ontario as of the January 1, 2019 adoption date, and accordingly, the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of \$112,580 were recorded as of January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its borrowing rate at January 1, 2019. The rate applied is approximately 6%.

The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The impact of adopting IFRS 16 on the Company's interim condensed consolidated statement of loss for the six months ended June 30, 2019 is a decrease to operating, labour and manufacturing costs of \$17,140, and increase to depreciation of \$15,352 and an increase to finance expense of \$3,204 for a net increase to net loss and comprehensive loss of \$1,416.

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

June 30, 2019 and 2018

#### 12. Segment information

The Company is organized into one operating segment. Management monitors the operating results of the Company on this basis. The following represents geographic information:

Revenue from external customers

	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2018</b>
	\$	\$
Canada	—	14,850
United States	<b>83,675</b>	96,301
	<b>83,675</b>	111,151

Revenue from one customer amounted to \$83,675 [2018 – \$96,301].

All of the Company's non-current assets are located in Canada

#### 13. Subsequent Events

The following events took place subsequent to June 30, 2019:

- [a] A Director of the Company made additional advances to the Company totaling \$131,245 as follows:
- |                 |          |
|-----------------|----------|
| July 19, 2019   | \$98,017 |
| August 19, 2019 | \$33,228 |