

Interim Condensed Consolidated Financial Statements

**Environmental Waste International Inc.**

For the nine months ended September 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 nine months ended September 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

November 26, 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

	<b>September 30</b>	December 31
	<b>2019</b>	2018
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	1,247,606	13,382
Accounts receivable	166,148	51,055
Prepaid expenses and sundry	66,803	64,900
<b>Total current assets</b>	<b>1,480,557</b>	<b>129,337</b>
Property and equipment, net <i>[note 5]</i>	1,101,430	1,164,296
Right of use asset <i>[note 11]</i>	89,552	—
	<b>2,671,539</b>	<b>1,293,633</b>
<b>Liabilities and shareholders' equity (deficiency)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	543,948	946,726
Provisions <i>[note 6]</i>	81,600	81,600
Current portion of lease liability <i>[note 11]</i>	28,296	—
Current portion of term loan payable <i>[note 7[b]]</i>	193,333	2,133,333
Current portion of promissory note payable <i>[note 7[c]]</i>	—	1,648,794
Current portion of mortgages payable <i>[note 7[e]]</i>	18,629	19,308
Deferred revenue	89,793	66,061
<b>Total current liabilities</b>	<b>955,599</b>	<b>4,895,822</b>
Lease liability <i>[note 11]</i>	63,222	—
Term loan payable <i>[note 7[b]]</i>	2,000,000	—
Promissory note payable <i>[note 7[b]]</i>	1,002,904	—
Convertible loan payable <i>[note 7[d]]</i>	1,680,768	1,048,195
Derivative liability <i>[note 7[d]]</i>	557,054	557,054
Mortgages payable <i>[note 7[e]]</i>	—	13,684
Deferred compensation <i>[note 7[f]]</i>	400,000	—
<b>Total liabilities</b>	<b>6,659,547</b>	<b>6,514,755</b>
<b>Shareholders' deficiency</b>		
Capital stock <i>[note 8]</i>	50,443,844	48,658,125
Contributed surplus <i>[note 8]</i>	6,042,279	5,971,088
Warrants <i>[note 8]</i>	582,732	—
Deficit	(60,955,503)	(59,748,975)
Deficiency attributable to owners of the Parent	(3,886,648)	(5,119,762)
Non-controlling interests	(101,360)	(101,360)
<b>Total shareholders' deficiency</b>	<b>(3,988,008)</b>	<b>(5,221,122)</b>
	<b>2,671,539</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 nine months ended September 30, 2019 and 2018

	<b>3 months ended September 30 2019 \$</b>	3 months ended September 30 2018 \$	<b>9 months ended September 30 2019 \$</b>	9 months ended September 30 2018 \$
<b>Revenue</b>				
Sales	<b>59,302</b>	41,057	<b>142,977</b>	152,208
<b>Expenses</b>				
Operating, labour and manufacturing <i>[note 9]</i>	<b>415,099</b>	218,176	<b>923,219</b>	842,023
Stock-based compensation <i>[note 8]</i>	<b>17,327</b>	19,222	<b>71,191</b>	52,298
Depreciation <i>[note 5, 11]</i>	<b>28,631</b>	21,315	<b>85,894</b>	63,946
Finance expense - interest on lease liability <i>[note 11]</i>	<b>1,444</b>	—	<b>4,648</b>	—
Finance expense – interest on term loan payable <i>[note 7[b]]</i>	<b>20,000</b>	20,000	<b>60,000</b>	60,000
Finance expense – interest on promissory note payable <i>[note 7[c]]</i>	<b>15,754</b>	20,687	<b>64,110</b>	53,258
Finance expense – interest on convertible loan payable <i>[note 7[d]]</i>	<b>17,917</b>	16,875	<b>51,667</b>	50,625
Finance expense – interest on mortgages payable <i>[note 7[e]]</i>	<b>329</b>	613	<b>1,193</b>	2,028
Accretion expense - convertible loan payable <i>[note 7[d]]</i>	<b>28,282</b>	27,091	<b>80,906</b>	72,451
Foreign exchange loss	<b>2,718</b>	3,862	<b>6,677</b>	6,333
	<b>547,501</b>	347,841	<b>1,349,505</b>	1,202,962
<b>Net loss and comprehensive loss for the period</b>	<b>(488,199)</b>	(306,784)	<b>(1,206,528)</b>	(1,050,754)
<b>Net loss and comprehensive loss attributable to:</b>				
Shareholders	<b>(488,199)</b>	(306,784)	<b>(1,206,528)</b>	(1,050,754)
Non-controlling interests	<b>—</b>	—	<b>—</b>	—
	<b>(488,199)</b>	(306,784)	<b>(1,206,528)</b>	(1,050,754)
<b>Loss per share – basic and diluted</b> <i>[note 8]</i>	<b>(0.003)</b>	(0.002)	<b>(0.007)</b>	(0.006)
<b>Weighted average number of shares outstanding – basic and diluted</b> <i>[note 8]</i>	<b>173,293,723</b>	165,827,736	<b>168,344,050</b>	165,199,754

See accompanying notes

Environmental Waste International Inc.

Interim condensed consolidated statements of changes in shareholders' deficiency

[Expressed in Canadian dollars]

[Unaudited]

Nine months ended September 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]	—	—	52,298	—	—	52,298	—	52,298
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	—	—	—	—	(1,050,754)	(1,050,754)	—	(1,050,754)
<b>Balance, September 30, 2018</b>	<b>48,658,125</b>	<b>—</b>	<b>5,953,054</b>	<b>—</b>	<b>(59,656,824)</b>	<b>(5,045,645)</b>	<b>(101,360)</b>	<b>(5,147,005)</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]	—	—	71,191	—	—	71,191	—	71,191
Shares and warrants issued pursuant to private placements [note 8]	1,077,268	—	—	582,732	—	1,660,000	—	1,660,000
Shares issued pursuant to debt settlements [note 8]	766,446	—	—	—	—	766,446	—	766,446
Issue costs	(57,995)	—	—	—	—	(57,995)	—	(57,995)
Net loss and comprehensive loss for the period	—	—	—	—	(1,206,528)	(1,206,528)	—	(1,206,528)
<b>Balance, September 30, 2019</b>	<b>50,443,844</b>	<b>—</b>	<b>6,042,279</b>	<b>582,732</b>	<b>(60,955,503)</b>	<b>(3,886,648)</b>	<b>(101,360)</b>	<b>(3,988,008)</b>

See accompanying notes

**Environmental Waste International Inc.****Interim condensed consolidated statements of cash flows**

[Expressed in Canadian dollars]

[Unaudited]

Nine months ended Sept 30, 2019 and 2018

	<b>9 months ended September 30 2019</b>	9 months ended September 30 2018
	\$	\$
<b>Operating activities</b>		
Net loss for the period	<b>(1,206,528)</b>	(1,050,754)
Add items not involving cash		
Depreciation	<b>85,894</b>	63,946
Finance expense	<b>175,777</b>	163,883
Accretion expense	<b>80,906</b>	72,451
Stock-based compensation	<b>71,191</b>	52,298
	<b>(792,760)</b>	(698,176)
Changes in non-cash working capital balances related to operations		
Accounts receivable	<b>(115,093)</b>	(77,045)
Prepaid expenses and sundry	<b>(1,903)</b>	111
Deferred revenue	<b>23,732</b>	27,850
Accounts payable and accrued liabilities	<b>53,668</b>	147,551
Provisions	<b>—</b>	(91,800)
<b>Cash used in operating activities</b>	<b>(832,356)</b>	(691,509)
<b>Financing activities</b>		
Net proceeds from private placements	<b>1,602,005</b>	150,930
Increase in promissory note	<b>—</b>	569,455
Increase in convertible note	<b>500,000</b>	—
Principal payments on lease liabilities	<b>(21,062)</b>	—
Repayments of mortgages payable	<b>(14,363)</b>	(13,553)
<b>Cash provided by financing activities</b>	<b>2,066,580</b>	706,832
<b>Net increase in cash during the period</b>	<b>1,234,224</b>	15,323
Cash, beginning of period	<b>13,382</b>	27,537
<b>Cash, end of period</b>	<b>1,247,606</b>	42,860

*See accompanying notes*

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## **Environmental Waste International Inc.**

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

September 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 November 26, 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**

September 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 \$1,206,528 during the nine months ended September 30, 2019 [2018 – \$1,050,754] and, as at September 30, 2019 had working capital of \$524,958 [December 31, 2018 – deficiency of \$4,766,485] and a cumulative deficit of \$60,955,503 [December 31, 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

September 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

September 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 September 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	47,944	85,261
As at December 31, 2018	—	272,854	37,896	35,176	26,538	382,015	754,479
Depreciation charge	—	21,364	3,553	349	1,642	35,958	62,866
As at September 30, 2019	<b>—</b>	<b>294,218</b>	<b>41,449</b>	<b>35,525</b>	<b>28,180</b>	<b>417,973</b>	<b>817,345</b>
<b>Net book value</b>							
As at September 30, 2019	<b>68,261</b>	<b>690,776</b>	<b>29,611</b>	<b>1,200</b>	<b>10,386</b>	<b>301,105</b>	<b>1,101,430</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

	September 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 after the Company receives a down payment from a customer to build its first commercial plant.

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

September 30, 2019 and 2018

#### 7. Loans and borrowings

##### [a] Advances from director

During the nine months ended September 30, 2019 a director of the Company advanced a total of \$500,000 to the Company for working capital purposes. On September 16, 2019, it was agreed that these funds would be applied to the convertible loan payable outstanding and a loan amendment agreement was signed increasing the face value of the convertible loan from \$1,350,000 to \$1,850,000. [note 7d]

##### [b] Term loan payable consists of the following:

	September 30 2019 \$	December 31 2018 \$
Fixed rate, non-revolving term loan from the Northern Ontario Heritage Fund Corporation ["NOHFC"], with interest at 4% per annum.	2,193,333	2,133,333
Less current portion	193,333	2,133,333
	<u>2,000,000</u>	<u>—</u>

In May 2017, the Company repaid the NOHFC \$339,762 representing all unpaid and accrued interest and 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. As of September 30, 2019, the Company and the NOHFC reached a verbal agreement whereby an interest catchup payment will be made on March 31, 2020 with interest only payments to begin at that date. Blended payments have also been verbally agreed to and will commence July 15, 2021. The former maturity date of March 23, 2020 will be deferred to an agreed upon date, expected to be July 15, 2021.

The amount of interest accrued at September 30, 2019 was \$193,333 [December 31, 2018- \$133,333], and interest expense during the nine months ended September 30, 2019 was \$60,000 (2018 - \$60,000).

##### [c] Promissory note payable consists of the following:

	September 30 2019 \$	December 31 2018 \$
Promissory note payable, with interest at 6% per annum, payable on July 15, 2021	1,002,333	1,648,794
Less current portion	—	1,648,794
	<u>1,002,333</u>	<u>—</u>

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

September 30, 2019 and 2018

#### 7. Loans and borrowings - continued

In April, 2017, the Company received net proceeds of \$903,000 in the form of a promissory note which bears interest at 6%. The principal balance of this note was increased to \$1,537,209 by December 31, 2018. As at August 31, 2019 the total amount including principal and interest owing was \$1,710,000. Pursuant to an agreement signed on September 16, 2019, the parties agreed to settle \$710,000 of the total amount owing by issuing 14,200,000 common shares of the Company at \$0.05 [note 8] and amending the promissory agreement note to decrease the principal amount to \$1,000,000 and to defer the maturity date from September 30, 2019 to July 15, 2021. All other terms of the note remain unchanged.

There was no gain or loss on settlement of this debt as the fair value of the equity issued was the same as the fair value of the debt on the settlement date.

Interest expense for the nine months ended September 30, 2019 was \$64,110 (2018 - \$53,258)

**[d] Convertible loan payable consists of the following:**

	September 30 2019 \$	December 31 2018 \$
Face value of convertible loan payable	1,850,000	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	1,277,436	777,436
Accrued interest payable at 5%	164,167	112,500
Accrued accretion expense	239,165	158,260
	1,680,768	1,048,196
Less current portion	—	—
	1,680,768	1,048,196

In April, 2017, the Company received proceeds of \$1,350,000 through the issuance of a 5 year, 5% unsecured convertible loan payable which was convertible at a price of \$0.11 per common share. 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.

On September 16, 2019 the face value of the convertible loan was increased from \$1,350,000 to \$1,850,000 [see note 7a]. In addition, the conversion feature was reduced to a price \$0.08 for a period of 12 months and then increases to \$0.10 until maturity. All other terms remained unchanged.

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

September 30, 2019 and 2018

#### 7. Loans and borrowings - continued

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 nine months ended September 30, 2019 was \$80,906 (2018 - \$72,451), and interest expense was \$51,667 (2018 - \$50,625).

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.

#### [e] Mortgages payable consist of the following:

	September 30 2019 \$	December 31 2018 \$
Fixed-rate first mortgage, ten-year amortization period, with interest at 6% per annum, calculated monthly, repayable on August 1, 2020	18,629	32,992
Less current portion	18,629	19,308
	—	13,684

Total interest of \$1,193 was recorded for the nine months ended September 30, 2019 (2018 - \$2,028).

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:

2020	\$ 18,629
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## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

September 30, 2019 and 2018

#### 7. Loans and borrowings - continued

##### [f] Deferred Compensation

On September 16, 2019 pursuant to a salary deferral agreement between the Company and a key member of management, \$400,000 of salary and expenses owing was deferred to January 15, 2022. Prior to this date, this amount was included in accounts payable and accrued liabilities. [note 9b] Interest will accrue on this amount at 6% per annum calculated monthly in arrears and is payable at maturity.

#### 8. Share capital and reserves

**Authorized** - Unlimited common shares

Issued and outstanding

	Number of shares #	Amount \$
<b>Balance, December 31, 2017</b>	<b>163,178,436</b>	<b>48,393,195</b>
Issuance of shares pursuant to share subscriptions [1]	2,649,300	264,930
<b>Balance December 31, 2018</b>	<b>165,827,736</b>	<b>48,658,125</b>
Issuance of shares pursuant to private placements [2]	33,200,000	1,660,000
Issuance of warrants pursuant to private placements [2]	—	(582,732)
Issuance of shares pursuant to settlement of promissory note [3]	14,200,000	710,000
Issuance of shares pursuant to settlement of debt [4]	1,128,913	56,446
Share issue costs [5]	—	(57,995)
<b>Balance September 30, 2019</b>	<b>214,356,649</b>	<b>50,443,844</b>

[1] 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

[2] On April 30, 2019, the Company received proceeds of \$475,000 pursuant to share subscription arrangements whereby the Company agreed to issue 9,500,000 common shares at a price of \$0.05 per share, and one-half of a warrant at \$0.20 per warrant. The fair value of these warrants of \$159,560 was transferred from share capital to warrants. On September 16, 2019 share certificates were issued for these shares.

On September 16, 2019, the Company closed a private placement and issued 23,700,000 common shares at a price of \$0.05 per common share and one-half warrant at \$0.20 per warrant for gross proceeds of \$1,185,000. The fair value of these warrants of \$423,172 was transferred from share capital to warrants.

[3] On September 16, 2019, the Company and holder of the promissory note outstanding, agreed to settle \$710,000 of the total amount owing by issuing 14,200,000 common shares of the Company at \$0.05 [see note 7c]. There was no gain or loss on settlement of this debt as the fair value of the equity issued was the same as the fair value of the debt on the settlement date.

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

September 30, 2019 and 2018

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

[4] On September 16, 2019, the Company agreed to settle two advances from directors totaling \$56,446 of by issuing 1,128,913 common shares of the Company at \$0.05. These advances were previously included in accounts payable and accrued liabilities. There was no gain or loss on settlement of this debt as the fair value of the equity issued was the same as the fair value of the debt on the settlement date.

[5] Share issue costs for the nine months ended September 30, 2019 totaled \$57,995.

#### 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 September 30, 2019 and December 31, 2018:

	September 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>3,643,750</b>	<b>0.09</b>	1,485,000	0.10
<b>Balance, end of period</b>	<b>14,868,750</b>	<b>0.10</b>	14,505,000	0.10

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

September 30, 2019 and 2018

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

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

Exercise prices \$	Outstanding and exercisable stock options		
	Number of options #	Remaining contractual life [years]	Weighted average exercise price \$
0.06	2,650,000	4.97	0.06
0.10	10,481,250	1.47	0.10
0.11	1,075,000	1.67	0.11
0.18	662,500	4.61	0.18
	<b>14,868,750</b>		<b>0.10</b>

During the nine months ended September 30, 2019, 3,280,000 stock options with an exercise price of \$0.10 expired. In addition, the Company granted a total of 3,643,750 stock options including 2,650,000 at \$0.06 which vest over three years and expire in five years. 331,250 options were granted at \$0.10 and 662,500 at \$0.18 which 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 \$71,191 during the nine months ended September 30, 2019 [2018 – \$52,298].

#### Warrants

Pursuant to the financings on April 30, 2019 and September 16, 2019, the Company issued 4,750,000 and 11,850,000 common share purchase warrants that entitle the holder to receive one common share at a price of \$0.20 for a period of three years. The value of these warrants are \$159,160 and \$423,472 respectively, for a total value of \$582,732 which has been transferred from share capital to warrants.

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]].

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

September 30, 2019 and 2018

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

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

	<b>Outstanding and exercisable warrants</b>		
	<b>Number of warrants</b>	<b>Remaining contractual life</b>	<b>Weighted average exercise price</b>
	<b>#</b>	<b>[years]</b>	<b>\$</b>
<b>Balance, December 31, 2017 and 2018</b>	<b>3,712,500</b>	<b>2.60</b>	<b>0.02</b>
Issued April 30, 2019	<b>4,750,000</b>	<b>2.58</b>	<b>0.05</b>
Issued September 16, 2019	<b>11,850,000</b>	<b>2.96</b>	<b>0.12</b>
<b>Balance, September 30, 2019</b>	<b>20,312,500</b>		<b>0.18</b>

#### Contributed surplus

	<b>September 30 2019</b>	<b>December 31 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Balance, beginning of period</b>	<b>5,971,088</b>	5,900,756
Stock options granted and/or vested during the period	<b>71,191</b>	70,332
<b>Balance, end of period</b>	<b>6,042,279</b>	5,971,088

#### Per share amounts

For the nine months ended September 30, 2019, the weighted average number of shares outstanding was 168,344,050 [2018 – 165,199,754]. As at September 30, 2019, the Company had 14,868,750 [December 31, 2018 – 14,505,000] stock options and 20,312,500 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

September 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 nine months ended September 30, 2019 for interest on loans to the directors of \$115,777 [2018 – \$103,883]. At September 30, 2019, \$166,500 was included in loans payable [December 31, 2018 - \$223,514]. On September 16, 2019, the company and a related party agreed to settle \$710,000 of the total promissory amount owing by issuing 14,200,000 common shares of the Company at \$0.05

As at September 30, 2019 the Company has \$Nil [December 31, 2018 – \$51,215] included in accounts payable and accrued liabilities owing to directors. On September 16, 2019, the Company settled \$56,446 owing to directors by issuing 1,128,913 common shares at \$0.05. *[note 8]*.

[b] Transactions with key management personnel

The Company recorded compensation expense during the nine months ended September 30, 2019 in the amount of \$191,750 [2018 – \$229,519] and share-based compensation in the amount of \$16,865 [2018 – \$15,266] to key management personnel.

Accounts payable as at September 30, 2019, includes \$135,465 [December 31, 2018 – \$482,504] related to compensation of a key management person. On September 16, 2019 pursuant to a salary deferral agreement, \$400,000 of compensation and expenses owing was deferred to January 15, 2022. *[note 7e]*

## **Environmental Waste International Inc.**

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

September 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 nine months ended September 30, 2019 is a decrease to operating, labour and manufacturing costs of \$25,710, and increase to depreciation of \$23,028 and an increase to finance expense of \$4,648 for a net increase to net loss and comprehensive loss of \$1,966.

## Environmental Waste International Inc.

### Notes to interim condensed consolidated financial statements

September 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

	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
Canada	—	14,850
United States	<b>142,977</b>	137,858
	<b>142,977</b>	152,208

Revenue from one customer amounted to \$142,977 [2018 – \$137,858].

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

#### 13. Subsequent Events

On October 3, 2019, the company granted 650,000 share purchase options to certain officers and directors at \$0.06 per common share vesting over three years with an expiry of October 3, 2024.