Consolidated Financial Statements

Environmental Waste International Inc.

December 31, 2021 and 2020

To the Shareholders of Environmental Waste International Inc.:

Opinion

We have audited the consolidated financial statements of Environmental Waste International Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the consolidated financial statements, which describes matters and conditions of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert James Ripley.

MNP LLP

Toronto, Ontario
April 29, 2022

Chartered Professional Accountants
Licensed Public Accountants

MNP

Environmental Waste International Inc.

Consolidated statements of financial position

[Expressed in Canadian dollars]

As at December 31,	Note	2021 $	2020 $
Assets			
Current			
Cash		297,235	619,721
Trade and other receivables	11	102,837	63,403
Government remittances recoverable		21,026	59,452
Prepaid expenses and sundry		95,104	51,387
Total current assets		516,202	793,963
Property and equipment, net	5	2,031,438	1,007,006
Right-of-use asset	6	117,913	148,010
Total assets		**2,665,553**	**1,948,979**
Liabilities and shareholders' deficiency			
Current			
Accounts payable and accrued liabilities		512,705	436,294
Provisions	7	—	39,600
Current portion of lease liability	6	38,069	14,285
Current portion of promissory note payable	8c	—	1,077,904
Current portion of term loan payable	8b	2,362,627	2,230,344
Current portion of mortgage payable	8e	30,000	2,253
Contract liability		—	63,515
Derivative liability	8d	90,214	757,295
Deferred compensation	8f	285,632	—
Total current liabilities		3,319,247	4,621,490
Lease liability	6	96,282	134,351
CEBA loans	8a	101,072	67,475
Mortgage payable	8e	485,967	493,093
Deferred compensation	8f	—	430,000
Total liabilities		4,002,568	5,746,409
Shareholders' deficiency			
Capital stock	9a	56,997,868	54,481,040
Contributed surplus	9d	7,019,123	6,760,615
Deficit		(66,312,558)	(65,039,085)
Shareholders' deficiency attributable to equity holders of the parent		(2,295,567)	(3,797,430)
Non-controlling interests	10	958,552	—
Total shareholders' deficiency		(1,337,015)	(3,797,430)
		2,665,553	**1,948,979**

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

Approved by the Board: ***"Emanuel Gerard"*** Director ***"Robert MacBean"*** Director

Environmental Waste International Inc.

Consolidated statements of loss and comprehensive loss
[Expressed in Canadian dollars]

Years ended December 31,	Note	2021 $	2020 $
Revenue		112,489	113,368
Expenses			
Technology development	12	628,742	495,260
Plant operations	12	115,683	196,186
Selling, marketing and administration	12	865,879	641,122
Stock-based compensation	9b	343,342	158,616
Depreciation of property and equipment	5	85,718	82,653
Amortization of right-of-use asset	6	30,088	34,039
		2,069,452	1,607,876
Operating loss		**(1,956,963)**	**(1,494,508)**
Other income (expenses)			
Gain on recognition of interest-free loans		—	16,699
Finance costs	8g	(213,867)	(364,178)
Foreign exchange gain (loss)		(25,458)	15,006
Loss on termination of lease		—	(3,005)
Gain on settlement of debt	8c, 8f	249,848	—
Gain (loss) on modification of term loan	8b	(35,563)	40,284
Change in fair value of derivative	8d	667,081	(627,502)
		642,042	(922,696)
Net loss and comprehensive loss for the year		**(1,314,921)**	**(2,417,204)**
Net loss and comprehensive loss attributable to non-controlling interests	10	(41,448)	**—**
Net loss and comprehensive loss attributable to equity holders of the parent		**(1,273,473)**	**(2,417,204)**
Loss per share from operations – basic and diluted		**(0.01)**	**(0.02)**
Weighted average number of shares outstanding basic and diluted		**253,961,717**	**225,392,179**

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

Environmental Waste International Inc.

Consolidated statements of cash flows

[Expressed in Canadian dollars]

Years ended December 31,	Note	2021 $	2020 $
Operating activities			
Net loss for the year		(1,314,921)	(2,417,204)
Add items not involving cash			
Stock-based compensation	9b	343,342	158,616
Depreciation of property and equipment	5	85,718	82,653
Amortization of right-of-use asset	6	30,088	34,039
Finance costs	8g	200,068	229,592
Gain on recognition of interest-free loan	11c	(14,397)	(16,699)
Accretion expense	8a,8b, 8d	10,174	134,586
Gain on settlement of debt	8c, 8f	(249,848)	—
Loss on termination of lease		—	3,005
Loss (gain) on modification of term loan	8b	35,563	(40,284)
Change in fair value of derivative	8d	(667,081)	627,502
		(1,541,294)	**(1,204,194)**
Changes in non-cash working capital balances			
Trade and other receivables		(39,423)	(44,711)
Government remittances recoverable		38,426	43,388
Prepaid expenses and sundry		(43,717)	(2,075)
Accounts payable and accrued liabilities		36,811	(36,857)
Provisions		—	(42,000)
Contract liability		(63,515)	(2,406)
		(71,418)	(84,661)
Cash used in operating activities		**(1,612,712)**	**(1,288,855)**
Investing activities			
Purchase of property and equipment	5	(15,121)	(9,185)
Additions to construction-in-progress	5	(1,095,029)	—
Cash used in investing activities		**(1,110,150)**	**(9,185)**
Financing activities			
Proceeds from CEBA loans payable	8a	40,000	80,000
Proceeds from issuance of shares pursuant to private placement		1,233,000	394,107
Share issuance costs on conversion of convertible loan		(17,363)	(12,275)
Proceeds from issuance of shares in Ellsin		1,000,000	—
Proceeds from exercise of stock options		151,930	147,832
Proceeds from mortgage payable, net of issuance costs		—	474,629
Proceeds from exercise of warrants		50,000	—
Repayments of mortgage payable	8e	(30,000)	(17,678)
Repayments of lease obligations	6	(27,192)	(34,445)
Cash provided by financing activities		**2,400,375**	**1,032,170**
Net decrease in cash during the year		(322,486)	(265,870)
Cash, beginning of year		619,721	885,591
Cash, end of year		**297,235**	**619,721**

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

Environmental Waste International Inc.

Consolidated statements of changes in shareholders' deficiency

[Expressed in Canadian dollars]

	Note	Capital Stock		Contributed surplus	Deficit	Total attributable to equity holders of the parent	Non-controlling interests	Total
		#	$	$	$	$	$	$
Balance, December 31, 2019		**214,356,649**	**50,611,761**	**6,492,500**	**(62,621,881)**	**(5,517,620)**	**—**	**(5,517,620)**
Issuance of shares pursuant to private placement	9a	6,153,846	211,921	—	—	211,921	—	211,921
Issuance of warrants pursuant to private placement		—	—	188,079	—	188,079	—	188,079
Issuance of shares on conversion of convertible loan	9a	25,114,037	3,449,114	—	—	3,449,114	—	3,449,114
Stock-based compensation	9b	—	—	158,616	—	158,616	—	158,616
Stock options exercised	9b	1,548,308	223,116	(75,284)	—	147,832	—	147,832
Share and warrant issue costs		—	(14,872)	(3,296)	—	(18,168)	—	(18,168)
Net loss and comprehensive loss for the year		—	—	—	(2,417,204)	(2,417,204)	—	(2,417,204)
Balance, December 31, 2020		**247,172,840**	**54,481,040**	**6,760,615**	**(65,039,085)**	**(3,797,430)**	**—**	**(3,797,430)**
Issuance of shares pursuant to private placement	9a	4,110,000	1,233,000	—	—	1,233,000	—	1,233,000
Issuance of shares pursuant to settlement of debt	9a	5,267,812	1,014,427	—	—	1,014,427	—	1,014,427
Stock options exercised	9b	1,618,291	225,618	(73,688)	—	151,930	—	151,930
Stock-based compensation	9b	—	—	343,342	—	343,342	—	343,342
Warrants exercised	9c	250,000	61,146	(11,146)	—	50,000	—	50,000
Issuance of shares in Ellsin Environmental Ltd.	10	—	—	—	—	—	1,000,000	1,000,000
Share issue costs		—	(17,363)	—	—	(17,363)	—	(17,363)
Net loss and comprehensive loss for the year		—	—	—	(1,273,473)	(1,273,473)	(41,448)	(1,314,921)
Balance, December 31, 2021		**258,418,943**	**56,997,868**	**7,019,123**	**(66,312,558)**	**(2,295,567)**	**958,552**	**(1,337,015)**

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

1. Corporate information

Environmental Waste International Inc. (“EWI” or the “Company”) was incorporated under the Ontario Business Corporations Act on October 31, 1987. 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 1751 Wentworth Street, Unit 1, Whitby, Ontario, L1N 8R6.

2. Basis of preparation and statement of compliance

The consolidated financial statements of EWI have been prepared in accordance with International Financial Reporting Standards (IFRS). The notes presented in these consolidated financial statements include only significant events and transactions occurring since the last fiscal year end. The policies applied in these consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis. These consolidated financial statements are presented in Canadian dollars. These financial statements are authorized for issue on April 29, 2022.

3. Going concern assumption

These 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 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 $1,314,921 during the year ended December 31, 2021, and, as at that date, had working capital deficiency for of $2,803,045 (2020 – $3,827,527) and a cumulative deficit of $66,312,558 (2020 – $65,039,085).

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. While the Company has been successful in raising additional financing and extending the repayment terms for its terms loan payable subsequent to the end of the year *(note 20)*, it will require 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

Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries at the following ownership percentages: Environmental Waste Management Corporation (100%), Ellsin Environmental Ltd. (90% at December 30, 2021, 100% at December 31, 2020), EWI Rubber Inc. (100%) Jaguar Carbon Sales Limited (100%), and 2228641 Ontario Limited (100%).

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2021. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee [i.e., existing rights that give it the current ability to direct the relevant activities of the investee];
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of loss and comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Revenue recognition

Revenue is measured based on the value of the expected consideration in a contract with a customer. The Company recognizes revenue using a 5-step process including:

1. Identification of the contract, or contracts with the customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of revenue when or as the Company satisfies the performance obligation.

4. Summary of significant accounting policies – continued

Revenue recognition – continued

A contract asset is recognized in the consolidated financial statements of financial position when the Company's right to consideration from the transfer of products or services to a customer is conditional on its contractual obligation to transfer other products or services. Contract assets are transferred to trade receivables when the Company's right to consideration becomes conditional only as to the passage of time.

A contract liability is recognized in the consolidated financial statements of financial position when the Company receives consideration in advance of the transfer of products or services to the customer. Contract assets and liabilities relating to the same contract are presented on a net basis.

Incremental costs of obtaining a contract with a customer, principally comprised of sales commissions and prepaid contract fulfillment costs, are included in contract costs in the statements of financial position, except where the amortization period is one year or less, in which case costs of obtaining a contract are immediately expensed. Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

Service revenue

Typically, the Company enters into contracts that contain multiple services such as combined maintenance and support contracts. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Where a contract consists of more than one performance obligation, revenue is allocated to each performance obligation based on their estimated standalone selling price ("SSP").

The Company recognizes revenue when the transfer of control of the promised products or services has occurred. Maintenance and support revenue is recognized over the term of the maintenance agreement. The Company defers revenues that have been billed but which do not meet the revenue recognition criteria. Cash received in advance of revenue being recognized is classified as contract liabilities.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statements of loss and comprehensive loss.

4. Summary of significant accounting policies – continued

Financial instruments

[a] Financial assets

Initial recognition and measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in the consolidated statements of loss and comprehensive loss when incurred.

The Company's financial assets include cash and accounts receivable. All of the Company's financial assets are classified as loans and receivables.

Subsequent measurement – loans and receivables

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Impairment of financial assets

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated balance sheet as a deduction from the gross carrying amount of the financial asset.

4. Summary of significant accounting policies – continued

Impairment of financial assets – continued

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

[b] Financial liabilities

Initial recognition and measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Compound financial liabilities and embedded derivatives

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Financial instruments recorded at fair value in the statement of financial position are classified according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The derivative liability is classified as level 3 in the fair value hierarchy.

Debt component of convertible loans

Convertible loans are separated into liability and equity components based on the terms of the contract. On issuance of convertible loans, the fair value of the liability component is determined using a market rate for an equivalent nonconvertible loan. This amount is classified as a financial liability measured at amortized cost [net of transaction costs] until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity (deficiency). The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

4. Summary of significant accounting policies – continued

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statements of loss and comprehensive loss.

Cash

Cash in the consolidated statements of financial position comprise cash held at banks and on hand.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property and equipment. Repairs and maintenance are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Depreciation is provided annually on property and equipment, other than land, at rates designed to charge the cost of the assets over their estimated useful lives, as follows:

Computer equipment	30 – 55% declining balance
Building	4% declining balance
Leasehold improvements	5 years straight-line, over term of the lease
Equipment – gas engine	15 years straight-line
Office equipment	20% declining balance
Fixtures	15 years straight-line

The assets' residual values, useful lives and methods of amortization are reviewed at each fiscal year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

4. Summary of significant accounting policies – continued

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of the asset begins when development is complete and the asset is available for use. The asset is amortized over the period of expected future benefit. Amortization is recorded in the consolidated statements of loss and comprehensive loss in the expense category consistent with the function of the asset. During the period of development, the asset is tested for impairment annually.

Impairment of non-financial assets

The Company determines at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's ["CGU's"] fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its

recoverable amount which is the higher of value in use or fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated for valuation multiples or other available fair value indicators. Impairment losses are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date of whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If an indication exists, the Company estimates the asset or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

4. Summary of significant accounting policies – continued

Provisions

Provisions are recognized when the Company has a present obligation [legal or constructive] as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of loss and comprehensive loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

Loss per share

Loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed, using the treasury stock method, to show the potential reduction in earnings per share that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

Share-based payment transactions

Stock options

Employees [including senior executives] of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments [equity-settled transactions].

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The consolidated statements of loss and comprehensive loss expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in operating expenses. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of recognition and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award and designated as replacement awards on the date of grant, the cancelled and new awards are treated as if they were a modification of the original awards, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

4. Summary of significant accounting policies – continued

Warrants

The Company issues warrants as part of brokered and non-brokered private placement offerings for common shares or as part of other compensation. Warrants are measured at fair value at the date of the offering and accounted for as a separate component of shareholders' deficiency. When the warrants are exercised, the proceeds received together with the related amount allocated as a separate component of shareholders' deficiency are allocated to capital stock If the warrants expire unexercised, the related amount separately allocated to shareholders' deficiency is allocated to contributed surplus.

Share issue costs

Direct costs associated with an issue of capital stock or warrants are deducted from the related proceeds at the time of issue.

Leases

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.

4. Summary of significant accounting policies – continued

Leases - continued

The right-of-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-of-use asset or the end of the lease term. The estimated useful lives of right-of-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.

Leases are classified as either finance or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Company are accounted for as finance leases. At the time a finance lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under finance leases is amortized on the same basis as described above. Operating lease payments are recognized as an operating expense in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term.

Investment tax credits ["ITCs"] and government grants

Refundable ITCs are accounted for as a reduction in the cost of the related asset or expense where there is reasonable assurance that such credits will be realized. Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is deducted from expenses. When the grant relates to an asset, it is deducted from the cost of the related asset. Government grants related to forgivable portion of loans is recorded as other income. If a grant becomes repayable, the inception-to-date impact of the assistance previously recognized in income is reversed immediately in the period that the assistance becomes repayable.

Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars at the appropriate rates of exchange prevailing at the consolidated statement of financial position dates while other assets and liabilities are converted at the rates of exchange applicable at the dates acquired or incurred.

Revenue and expenses are translated into Canadian dollars at rates of exchange applicable during the periods in which they were earned or expensed. All gains and losses are included in the consolidated statements of loss and comprehensive loss as they arise.

4. Summary of significant accounting policies – continued

Taxes

[a] Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.
Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

[b] Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction, either in other comprehensive loss or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information arises related to facts and circumstances that existed at the acquisition date. The adjustment would either be treated as a reduction to goodwill if it is incurred during the measurement period, with any excess amount recognized in profit or loss.

[c] Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax. The net amount of sales tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

4. Summary of significant accounting policies – continued

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual years beginning on or after January 1, 2021. The Company has not earlier adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 1, Presentation of Financial Statements

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 16, Property, Plant and Equipment

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 37, Provisions, Contingent Liabilities, and Contingent Assets

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

4. Summary of significant accounting policies – continued

Significant accounting judgments, estimates and assumptions - continued

Credit Risk associated with trade receivables

The Company is exposed to credit risk associated with its trade receivables. Management reviews the trade receivables at each reporting date in accordance with IFRS 9. The expected credit loss model requires considerable judgment, including consideration of how changes in economic factors affect expected credit losses, which are determined on a probability weighted basis. IFRS 9 outlines a three-stage approach to recognizing expected credit losses which is intended to reflect the increase in credit risks of financial instruments based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for expected credit losses at an amount equal to lifetime expected credit losses. The Company applies the simplified approach to determine expected credit losses on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights. At the year end, management concluded that none of the Company's non-financial assets were impaired.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Because the Company has a history of losses, it has not recognized the value of any deferred tax assets in its consolidated statements of financial position.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9.

Fair value of the derivative

The Company measures the fair value of the derivative liability using an option pricing model with both observable and unobservable inputs. Observable inputs include the Company's share price and implied volatility. Unobservable inputs include inputs such as expected future financing.

Going concern

The Company's going concern assumption is subject to judgement from management and expected sources of future financings.

4. Summary of significant accounting policies – continued

Significant accounting judgments, estimates and assumptions - continued

Incremental borrowing rate used to discount leases

The Company's incremental borrowing rate is used to estimate the initial value of the lease liability and associated right-of-use asset. The Company's incremental borrowing rate is the rate that, at the inception of the lease, the Company would incur to borrow over a similar term and with similar security the funds necessary to acquire the asset.

5. Property and equipment

Property and equipment consist of the following:

	Computer Hardware $	Gas engine $	Building $	Office Equipment	Land $	Building $	Leasehold improvements $	Construction in Progress	Total $
Cost									
As at January 1, 2020	36,725	719,169	71,060	38,566	68,261	984,994	-	-	1,918,775
Additions	-	-	-	-	-	-	9,185	-	9,185
As at December 31, 2020	**36,725**	**719,169**	**71,060**	**38,566**	**68,261**	**984,994**	**9,185**	**-**	**1,927,960**
Additions	7,111	-	-	-	-	-	8,010	1,095,029	1,110,150
As at December 31, 2021	**43,836**	**719,169**	**71,060**	**38,566**	**68,261**	**984,994**	**17,195**	**1,095,029**	**3,038,110**
Accumulated depreciation									
As at January 1, 2020	35,767	429,867	42,633	28,695	-	301,339	-	-	838,301
Depreciation	325	47,945	4,737	2,147	-	27,346	153	-	82,653
As at December 31, 2020	**36,092**	**477,812**	**47,370**	**30,842**	**-**	**328,685**	**153**	**-**	**920,954**
Depreciation	1,499	47,854	4,734	2,207	-	26,252	3,172	-	85,718
As at December 31, 2021	**37,591**	**525,666**	**52,104**	**33,049**	**-**	**354,937**	**3,325**	**-**	**1,006,672**
NET BOOK VALUE									
As at December 31, 2020	633	241,357	23,690	7,724	68,261	656,309	9,032	-	1,007,006
As at December 31, 2021	**6,245**	**193,503**	**18,956**	**5,517**	**68,261**	**630,057**	**13,870**	**1,095,029**	**2,031,438**

During the year company began converting its pilot plant in Sault Ste. Marie to a commercial production facility. All expenditures in the year have been classified as construction in progress. No depreciation has been charged on the expenditures until the new plant is fully commissioned.

6. Lease assets and liabilities

The Company leases its head office premises. On December 1, 2020, the head office was moved from Ajax, Ontario to Whitby, Ontario and the Company signed a new lease for a term of five years.

The following tables present the right-of-use assets and liabilities at December 31, 2021, and December 31, 2020:

	2021	**2020**
Right-of-use Assets	$	$
Opening Balance	**148,001**	**91,578**
Write off due to termination of lease	-	(60,104)
Additions	-	150,575
Amortization	(30,088)	(34,039)
Closing Balance	**117,913**	**148,010**

	2021	**2020**
Lease Liability	$	$
Opening Balance	**148,636**	**84,705**
Addition	-	150,566
Write off due to termination of lease	-	(57,099)
Interest expense on lease obligations	12,907	4,909
Rent payments	(27,192)	(34,445)
Closing Balance	**134,351**	**148,636**

	2021	**2020**
	$	$
Current portion	38,069	14,285
Non-current portion	96,282	134,351
Closing Balance	**134,351**	**148,636**

On December 1, 2020, the Company recorded a new right-of-use asset and lease obligation for $150,566. As part of the new lease agreement, the first three months of the lease are rent free. When measuring the lease obligation, the Company discounted the lease payments using the implicit rate in the lease which is 9% per annum. Amortization of right-of-use asset is calculated using the straight-line method over their estimated useful life of term of the lease.

6. Lease assets and liabilities (continued)

The following table presents the contractual undiscounted cash flows for lease obligation as at December 31, 2021:

	2021
Lease Obligation	$
Year 1	41,392
Year 2	40,033
Year 3	41,845
Year 4	39,882
Total undiscounted lease obligation	**163,152**

7. Provisions

	December 31, 2021	December 31, 2020
	$	$
Balance, January 01, 2021	39,600	81,600
Paid during the year	(39,600)	(42,000)
Balance December 31, 2021	**-**	**39,600**

The provision balance consists of an accrual of one year's annual salary to a former CEO of the Company. In March 2017, a claim was settled for $255,000 payable over 25 months in equal installments of $10,200. In December 2019, the parties signed an agreement to reduce the monthly installments to $3,500 per month during an interim year until the Company receives a down payment from a customer to build its first commercial plant. At December 31 2020 the balance was $39,600. During the year ended December 31, 2021, the company completely paid the $39,600.

8. Loans and borrowings

(a) CEBA loans payable consists of the following:

	December 31, 2021 $	December 31, 2020 $
Loans payable at fair value at inception	97,047	63,301
Gain on deferrel to 2023	(8,143)	-
Accumulated accretion expense	12,168	4,174
Balance, end of year	**101,072**	**67,475**

On April 30, 2020, the Company received proceeds of $80,000 pursuant to the Canadian federal government under Government sponsored Canada Emergency Business Account (“CEBA”) as a business support measure for COVID-19. EWI and its subsidiary EWI Rubber Inc. (“EWI Rubber”) each received a $40,000 loan.

On January 22, 2021, the Company received additional proceeds totaling $40,000. EWI and EWI Rubber each received an additional $20,000 on their original $40,000 CEBA loans, bringing their total CEBA loan balances to $60,000 each ($120,000 in aggregate).

No principal repayments are required until December 2023. Repayment of $40,000 of each of the loans ($80,000 in aggregate) on or before December 31, 2023, will result in loan forgiveness of $20,000 on each of the loans ($40,000 in aggregate). After 2022, any remaining balances will be converted to a two-year term loan at a 5% interest rate.

On April 30, 2020, the Company recorded the fair value of the initial $80,000 of CEBA loan advances at $63,301, using an effective annual interest rate of 10%. The difference of $16,699 between the fair value and the total amount of proceeds received of $80,000 was recorded as gain on recognition of interest-free loan on inception under IFRS 9 during the second quarter of 2020. On January 22, 2021, the Company recorded the fair value of the additional $40,000 of CEBA loan advances at $33,746 using the same annual effective interest rate. The company calculated the fair value of total loan on December 31, 2021 and recorded the net gain of $14,397.

During the year ended December 31, 2021, the Company recorded $7,994 of accretion expense associated with the CEBA loans (2020 – $4,174).

8. Loans and borrowings – continued

(b) Term loan payable consists of the following:

	December 31, 2021 $	December 31, 2020 $
Fixed rate, non-revolving $2,000,000 term loan from Northern Ontario Heritage Fund Corporation ["NOHFC"], with interest at 4% per annum, due May 31, 2027.	2,230,344	2,266,998
Less: (gain)/loss on modification of loan	(35,563)	40,284
	2,265,907	2,226,714
Interest expense	94,540	-
Accretion expense	2,180	3,630
Balance, December 31, 2021	**2,362,627**	**2,230,344**

Current portion	2,362,627	2,230,344
Non Current portion	-	-
Balance, December 31, 2021	**2,362,627**	2,230,344

This term loan is between the NOHFC and Ellsin, which owns the Company's waste tire facility in Sault Ste. Marie including land, building and equipment. In May 2017, Ellsin repaid the NOHFC $339,762 representing all unpaid and accrued interest at that date. During 2018 and 2019 no principal payments were made and Ellsin continued to accrue interest on the outstanding principal of the loan, compounded monthly.

On February 4, 2020, Ellsin and NOHFC signed a fourth amendment to the loan agreement which deferred the catch-up interest payment to April 1, 2020, with go-forward and catch-up interest payments only to start January 1, 2022, and blended payments to start January 1, 2023.

With the onset of the COVID-19 pandemic in March 2020, Ellsin obtained approval from NOHFC to delay the April 1, 2020, interest catch-up payment and interest payments for six months from April 1 to September 30, 2020. NOHFC agreed to waive interest for these six months and to extend the maturity date of the loan by six months. No payments were made by Ellsin from October 1 to December 31, 2020. Due to the changes in payment terms in the fourth amendment as well as the deferral of six months payments including waiving interest for that year, Ellsin recorded a gain on modification of debt of $40,284 in the year ended December 31, 2020.

On June 1, 2021, Ellsin and NOHFC signed a fifth amendment to the loan agreement to conditionally amend the repayment terms of the term as follows:

- Previously accrued and unpaid interest, and additional interest accruing up to and including August 31, 2021, is to be paid in full no later than August 31, 2021.
- Interest only payment must be made on monthly basis from August 31, 2021, to May 31, 2022
- Blended payments based on a 5-year amortization will commence on June 1, 2022, and
- NOHFC will obtain a corporate guarantee and postponement of claim, supported by a general security agreement from the new majority shareholder of Ellsin (Torreco, *note 10)*.

8. Loans and borrowings – continued

As at December 31, 2021, the conditions associated with the fifth amendment were not satisfied. The Company is in breach of the terms with their agreement with NOHFC as at December 31, 2021. The two parties continue to have discussions to defer current payment terms.

The amount of interest accrued as at December 31, 2021, was $362,627 (December 31, 2020 – $266,998). During the year ended December 31, 2021, the Company recorded interest expense of $94,540 (2020 – $43,921) and accretion expense of $2,180 (2020 – $3,630).

(c) Promissory note payable consists of the following:

	December 31, 2021 $	December 31, 2020 $
Promissory note payable, with interest at 6% per annum, principal and accrued interest payments payable	-	1,077,904
Less: current portion	-	1,077,904
	-	-

In 2017, the Company received net proceeds of $903,000 from a director in the form of a promissory note which bears interest at 6%. The principal balance was increased, and at August 31, 2019, the total amount including principal and interest owing was $1,710,000. 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 and amending the promissory note agreement to decrease the principal amount to $1,000,000 and to defer the maturity date from September 30, 2019, to July 15, 2021.
On May 24, 2021, the parties agreed to settle the total principal and interest owing of $1,101,775 by way of issuance of 4,590,729 common shares of the Company at $0.24. Pursuant to the TSX Venture Exchange ("TSXV"), this debt settlement required the approval of disinterested shareholders of the Company because the holder of this note, a Company owned by a director, will become a new control person of the Company since it will own over 20% of the Company's common stock. The Company obtained shareholder approval for this debt settlement at its annual and special shareholders' meeting held July 7, 2021.

The Company recorded a gain on issuance of shares of $229,536 related to this settlement, for the difference in stock price of $0.19 as at issuance date of July 7, 2021, and the agreed settlement price of $0.24. Interest expense for the year ended December 31, 2021, was $23,871 (2020 – $60,571).

8. Loans and borrowings – continued

(d) Convertible loan payable consists of the following:

	Convertible Debt	Conversion feature derivative liability	Warrant derivative liability	Total derivative liability	Total debt and derivative liability
	$	$	$	$	$
As at December 31, 2019	1,356,852	1,834,999	188,794	2,023,793	3,380,645
Interest	71,480	-	-	-	71,480
Accretion expense	126,782	-	-	-	126,782
Loss on revaluation of derivatives	-	59,001	568,501	627,502	627,502
Conversion to share capital	(1,555,114)	(1,894,000)	-	(1,894,000)	(3,449,114)
As at December 31, 2020	**-**	**-**	**757,295**	**757,295**	**757,295**
Loss on revaluation of derivative	-	-	(667,081)	(667,081)	(667,081)
As at December 31, 2021	**-**	**-**	**90,214**	**90,214**	**90,214**

In 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 per warrant at a price of $0.11 for a year of five years.

On September 11, 2020, the debtholder converted the principal of $1,850,000 at a price of $0.08 per share, and the accrued interest of $268,521 at $0.135 per share per TSXV regulations, resulting in the issuance of an aggregate of 25,114,037 common shares. The associated conversion feature derivative liability was revalued at $1,894,000 at September 11, 2020, using the Monte Carlo simulation model resulting in a loss in value of $59,001.

The change in fair value of warrant derivative liability for the year ended December 31, 2021, was a gain of $667,081 (2020 – loss of $627,502 on conversion feature and warrants). For the year ended December 31, 2021, accretion expense was $nil (2020 – $126,782), and interest expense was $nil (2020 – $71,480).

The following is a summary of the cash value and accounting value for this financial instrument:

	As at December 31, 2021		As at December 31, 2020	
	Cash liability	Accounting liability	Cash liability	Accounting liability
	$	$	$	$
Convertible loan	-	-	1,850,000	830,388
Accrued interest	-	-	268,521	268,521
Accrued accretion expense	-	-	-	456,205
Conversion to share capital	-	-	(2,118,521)	(1,555,114)
Convertible loan liability	-	-	-	-
Derivative liability	-	1,984,214	-	2,651,295
Conversion to share capital	-	(1,894,000)	-	(1,894,000)
Derivative liability	-	90,214	-	757,295
Total liability	**-**	**90,214**	**-**	**757,295**

8. Loans and borrowings – continued

As at December 31, 2021, the difference between the cash liability and accounting liability of $90,214 (December 31, 2020 – $757,295) is a non-cash liability as it will be settled by the issuance of common shares of the Company if the warrants are exercised. It represents the fair value of the benefit conferred on the debtholder and does not represent a cash liability.

This derivative liability was re-valued at December 31, 2021, using the Monte Carlo simulation model using the following assumptions, as well as the probability of subsequent equity raises and expected issuance price.

The terms for valuing the derivatives at each respective year-end are as follows:

	December 31, 2021 $	December 31, 2020 $
Volatility	115.1%	218.9%
Dividend yield	0.0%	0.0%
Risk free rate	0.95%	0.20%

(e) Mortgage payable consists of the following:

Particulars	**December 31, 2021** $	**December 31, 2020** $
Fixed-rate mortgage, with principal due upon maturity on July 3, 2025, with interest at 6% per annum payable monthly and interest of 4% per annum due upon maturity	500,000	500,000
Accrued interest outstanding	27,665	10,379
	527,665	**510,379**
Debt issue costs	(16,687)	(16,687)
Cumulative amortization of debt issue costs	4,989	1,654
Balance, December 31, 2021	**515,967**	**495,346**

Current Portion	30,000	2,253
Non Current Portion	485,967	493,093
Balance, December 31, 2021	**515,967**	**495,346**

On July 3, 2020, Ellsin received gross proceeds of $500,000 from the issuance of a five-year mortgage with a third party, secured by land and a building owned by Ellsin in Sault Ste. Marie. The fair value of the mortgage was deemed to equal $500,000 based on the discounted cash flow using an estimated cost of borrowing of 9.16%. The loan matures on July 3, 2025 and bears interest at a rate of 10% per annum, 6% of which is paid monthly starting August 3, 2020 and 4% which is accrued and paid on maturity along with the principal. The 4% accrued interest can be paid in cash or common shares of the Company at the Company's option. As at December 31, 2021, the total value of the interest that may be repayable in shares was $20,000 (December 31, 2020 – $10,000).

8. Loans and borrowings – continued

Total interest expense on mortgages of $50,622 was recorded for the year ended December 31, 2021 (2020 – $24,711).

(f) Deferred compensation

	December 31, 2021 $	December 31, 2020 $
Deferred compensation with interest at 6% per annum, calculated monthly in arrears, payable January 15, 2022	430,000	400,000
Transfer to share capital on settlement of debt May 24, 2021	(162,500)	-
Accrued interest	18,132	30,000
Balance, December 31, 2021	**285,632**	**430,000**

On September 16, 2019, pursuant to a salary deferral agreement between the Company and a director and key member of management, $400,000 of salary and expenses owing was deferred. Interest accrues on this amount at 6% per annum calculated monthly in arrears and is payable at maturity.

On May 24, 2021, the Company entered into a debt conversion agreement to settle a portion of the deferred compensation liability. The debt conversion agreement is in respect of settlement of $162,500 pursuant to the salary and expense deferral agreement. This debt conversion provided for an aggregate of $162,500 of the deferred compensation liability to be settled through the issuance of common shares at a price equal to the higher of $0.23 or the volume weighted average trading price of the common shares for the ten (10) days following the date hereof. On June 22, 2021, 677,083 common shares were issued based at a price of $0.24 per share upon conversion of $162,500 of debt.

The Company recorded a gain on issuance of shares of $20,312 related to this settlement, for the difference in stock price of $0.21 as at issuance date of June 22, 2021, and the agreed settlement price of $0.24. Total interest of $18,132 was recorded for the year ended December 31, 2021.

8. Loans and borrowings – continued

(g) Finance costs

Finance costs for the years ended December 31, 2021, and 2020 are as follows:

	December 31, 2021 $	December 31, 2020 $
Interest on lease liabilities (note 6)	12,907	4,909
Interest on term loan (note 8b)	94,540	43,921
Interest on promissory note payable (note 8c)	23,871	60,571
Interest on convertible loan payable (note 8d)	-	71,480
Interest on mortgages payable (note 8d)	50,622	24,711
Interest on deferred compensation (note 8f)	18,132	24,000
Other Interest expense	3,620	-
Accretion expense on CEBA loan payable (note 8a)	7,994	4,174
Accretion expense on payable (note 8d)	2,180	130,412
	213,867	**364,178**

9. Share capital and reserves

(a) Share Capital

Authorized – Unlimited number of shares Issued and outstanding:	Number of shares #	Amount $
Balance, January 1, 2020	**214,356,649**	**50,611,761**
Issuance of shares pursuant to private placement (1)	6,153,846	211,921
Issuance of shares pursuant to conversion of loan payable (2)	25,114,037	3,449,114
Stock options exercised (3)	1,548,308	223,116
Share issue costs	-	(14,872)
Balance, December 31, 2020	**247,172,840**	**54,481,040**
Issuance of shares pursuant to private placement (4)	4,110,000	1,233,000
Issuance of shares pursuant to settlement of debt (5)	5,267,812	1,014,427
Warrant exercised (6)	250,000	50,000
Stock options exercised (7)	1,618,291	236,764
Share issue costs	-	(17,363)
Balance, December 31, 2021	**258,418,943**	**56,997,868**

(1) On June 30, 2020, the company closed a private placement and issued 6,153,846 units for gross proceeds of $400,000. Each unit included one common shares at a price of $0.65 and one warrant with an exercise price of $0.18 expiring on June 30, 2025. The fair value of these warrants of $ 184,783 inclusive of transaction costs of $3296

9. Share capital and reserves – continued

(2) On September 11, 2020, the loan payable $1,850,0000 and accrued interest of $268,521 was converted into common shares of the Company. The principal amount of the loan was converted at a price of $0.08 per share and the accrued interest was convertible at $0.135 per share, resulting in the issuance of an aggregate of 25,114,037 common shares. The amount of $3,449,114 representing the principal, accrued interest and value of the derivative liability at the date of conversion was transferred to share capital. Associated share issue costs of $12,275 were adjusted against share capital.

(3) During the year ended December 31, 2020, the Company received total proceeds of $147,832 for the issuance of a total of 1,548,308 common shares as a result of stock options exercised at a price in the range of $0.06 to $0.11. An amount of $75,284 related to the options exercised was transferred from contributed surplus to share capital.

(4) On April 23, 2021, the Company closed a private placement and issued 4,110,000 common shares at $0.30 per share for gross proceeds of $1,233,000.

(5) On May 24, 2021, the Company settled a portion of the deferred compensation liability in the amount of $162,500 through the issuance of 677,083 common shares at a price of $0.24 per share and incurred $14,200 of share issue costs. On May 24, 2021, the Company also settled the total principal and interest owing on a promissory note payable of $1,101,775 by way of issuance of 4,590,729 common shares of the Company at $0.24, as approved by the shareholders at its Annual and Special Shareholders Meeting held July 7, 2021.

(6) During the year ended December 31, 2021, the Company received total proceeds of $50,000 for the issuance of a total of 250,000 common shares as a result of warrants exercised at a price of $0.20. An amount of $11,146 related to the warrants exercised was transferred from contributed surplus to share capital.

(7) During the year ended December 31, 2021, the Company received total proceeds of $151,930 for the issuance of a total of 1,618,291 common shares as a result of stock options exercised at a price in the range of $0.06 to $0.11. An amount of $73,688 related to the options exercised was transferred from contributed surplus to share capital.

(b) Stock Options

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.

9. Share capital and reserves – continued

The following options to purchase shares were outstanding on December 31, 2021, and December 31, 2020:

	December 31, 2021		December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
			#	$
Outstanding, beginning of year	11,210,442	0.08	12,788,750	0.10
Granted	4,270,000	0.22	3,905,000	0.05
Expired	-	-	(3,935,000)	(0.10)
Exercised	(1,618,292)	0.08	(1,548,308)	(0.10)
Outstanding, end of year	**13,862,150**	**0.11**	11,210,442	0.08
Exercisable, end of year	**5,760,967**	**0.12**	4,359,080	0.08

During the year ended December 31, 2021, 1,618,292 (2020 – 1,548,308) stock options were exercised at prices ranging from $0.06 to $0.11 for total proceeds of $151,930.

During the year ended December 31, 2021, 4,270,000 (2020 – 3,905,000) stock options were issued to employees and consultants of the Company with an exercise price ranging from $0.18 to $0.26 which vest over three years and expire in five years. Stock-based compensation expense during the year ended December 31, 2021, was $343,342 (2020 – $158,616). During the year ended December 31, 2021, Nil (2020 - 3,935,000) options expired.

During the year ended December 31, 2021, 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% (2020 – 0%); expected volatility of 115% (2020 – 219%); risk-free interest rates of 0.95% 92020 – 0.35%); and an average expected life of five years (2020 – five years). This resulted in stock-based compensation expense of $343,342 during the year ended December 31, 2021 (2020 – $158,616).

A summary of stock options outstanding as at December 31, 2021 is set out below:

	Outstanding stock options		
As at December 31, 2021 Range of exercise prices	Number of options	Remaining contractual life	Weighted average exercise price
$	#	[years]	$
$0.05	3,773,347	3.50	0.04
$0.06	2,773,386	2.72	0.06
$0.10	2,382,917	1.25	0.05
$0.18	662,500	2.35	0.04
$0.19	3,870,000	4.52	0.18
$0.26	400,000	4.42	0.26
	13,862,150	**3.21**	**0.09**

9. Share capital and reserves – continued

(c) Warrants

In 2017, pursuant to the issuance of the convertible loan, 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 year of five years. The value of these warrants has been accounted for as a derivative liability.

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 year of three years. The value of these warrants are $129,089 and $285,726 respectively, for a total value of $414,815 which has been transferred from share capital to contributed surplus.

Pursuant to a financing on June 30, 2020, the Company issued 6,153,846 common share purchase warrants that entitle the holder to receive one common share at a price of $0.18 for a year of five years. The value of these warrants of $188,079 has been allocated to contributed surplus, less $3,296 of associated share issuance costs attributable to the warrants.

During year ended December 31, 2021, 250,000 warrants were exercised at $0.20 for total proceeds of $50,000. An amount of $11,146 related to the warrants exercised was transferred from contributed surplus to share capital.

A summary of the status of the Company's warrants at December 31, 2021, are as follows:

	Number of warrants	Weighted average remaining contractual life	Weighted average exercise price
	#	[years]	$
Balance, January 1, 2020	20,312,500	1.55	0.17
Issued June 30, 2020	6,153,846	4.50	0.18
Balance, December 31, 2020	**26,466,346**	**2.24**	**0.18**
Exercised March 17, 2021	(250,000)	-	(0.20)
Balance, December 31, 2021	**26,216,346**	**2.00**	**0.18**

A summary of warrants outstanding and exercisable as at December 31, 2021, is set out below:

	Outstanding and exercisable warrants		
As at December 31, 2021 Range of exercise prices	**Number of warrants**	**Weighted average remaining contractual life**	**Weighted average exercise price**
$	#	[years]	$
0.11	3,712,500	0.84	0.11
0.18-0.20	22,503,846	1.63	0.19
	26,216,346	**1.52**	**0.18**

9. Share capital and reserves – continued

(d) Contributed surplus

	December 31, 2021 $	December 31, 2020 $
Balance, beginning of year	**6,760,615**	**6,492,500**
Stock-based compensation	343,342	158,616
Issuance of warrants	-	188,079
Stock options exercised	(73,688)	(75,284)
Warrants exercised	(11,146)	-
Warrant issue costs	-	(3,296)
Balance, end of year	**7,019,123**	6,760,615

(e) Per share amounts

For the year ended December 31, 2021, the weighted average number of shares outstanding was 253,961,717 (2020 – 225,392,179).

As at December 30, 2021, the Company had 13,862,150 stock options (December 31, 2020 – 11,210,442) and 26,216,346 warrants (December 31, 2020 – 26,466,346) outstanding.

10. Non-controlling interests

On March 22, 2021, the Company entered into an agreement with Torreco, whereby Torreco will invest $7,000,000 to convert Ellsin's pilot plant in Sault Ste. Marie into a commercial scale recycling plant utilizing the Company's patented microwave technology. Following the receipt of all of the committed funds, Torreco will own 70% of Ellsin and the Company will retain a 30% ownership interest in Ellsin. Under the agreement, Ellsin will also pay a royalty fee of 6% of Ellsin's top line revenue to the Company on a quarterly basis, based on revenues generated from the Hybrid Reverse Polymerization process in perpetuity. In exchange for the investment in Ellsin, the Company will grant Torreco the right to build three additional waste tire facilities in Ontario over the next five years if it meets certain conditions.

The initial proceeds of $400,000 were received on March 22, 2021, representing a 4% non-controlling interest in Ellsin. Pursuant to the agreement signed on March 22, 2021, Torreco advanced an additional $600,000 on April 7, 2021, bringing their ownership in Ellsin up to 10%.

Non-controlling interest activity for the year ended December 31, 2021, is as follows:

	December 31, 2021 $	December 31, 2020 $
Balance beginning of year	**-**	**-**
Issuance of shares in Ellsin Environmental Ltd.	1,000,000	-
Share of net loss for the year	(41,448)	-
Balance, end of year	**958,552**	**-**

11. Trade and other receivables

Trade and other receivables at December 31, 2021, includes $21,900 (2020 – $Nil) trade receivable, $56,232 (2020 – $63,403) related to CEWS, and $24,705 (2020 – $Nil) related to CERS that the Company has applied for but not received.

(a) Canada Emergency Wage Subsidy ("CEWS")

In response to the COVID-19 coronavirus pandemic, in April 2020 the government of Canada introduced the CEWS program. CEWS provides a wage subsidy program on eligible renumeration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy was retroactive to March 15, 2020. The qualification and application of the CEWS is being assessed over multiple four-week year segments.

The company recognizes government grants when there is reasonable assurance that it will comply with the conditions to qualify for the grant and that the grant will be received. The company has recognized $63,886 of CEWS during the year ended December 31, 2021 (2020 – $113,910) and has recorded it as a reduction to the eligible salaries and benefit expenses that are allocated proportionately to the functions of technology development, plant operations and selling, marketing and administration reported in the consolidated statements of loss and comprehensive loss.

(b) Canada Emergency Rent Subsidy ("CERS")

The government of Canada also introduced the CERS program in September 2020, which provides rent and property ownership cost support to small businesses affected by COVID-19. The subsidy provides support directly to tenants and property owners. During the year ended December 31, 2021, the Company and Ellsin were eligible to receive $60,498 in aggregate under the CERS program.

(c) Canada Emergency Business Account ("CEBA")

CEBA is a government assistance program implemented by eligible financial institutions in cooperation with Export Development Canada. The CEBA provides interest-free loans of up to $60,000 to small businesses to help their operating costs during a year when their revenues have been temporarily reduced by the economic impact of COVID-19.

On April 30, 2020, each of EWI and its subsidiary EWI Rubber received a $40,000 loan for proceeds of $80,000.

On January 22, 2021, the Company received additional CEBA loan proceeds totaling $40,000, with $20,000 each received by EWI and EWI Rubber. The company recognized gain of $14,397 during the year ended December 31, 2021 on the fair value of CEBA Loan.

12. Operating expenses by function

The Company classifies its operating expenses into three functions to reflect how it manages its business. Government grant income is allocated to certain operating expense functions as follows for the year ended December 31, 2021, and 2020:

Year ended December 31, 2021	**Technology development**	**Plant operations**	**Selling, marketing and administration**	**Total**
	$	**$**	**$**	**$**
Gross operating expense	663,941	158,040	916,118	**1,738,099**
Government grant income	35,199	42,357	50,239	**127,795**
	628,742	**115,683**	**865,879**	**1,610,304**

Year ended December 31, 2020	**Technology development**	**Plant operations**	**Selling, marketing and administration**	**Total**
	$	**$**	**$**	**$**
Gross operating expense	538,178	222,927	685,373	**1,446,478**
Government grant income	42,918	26,741	44,251	**113,910**
	495,260	**196,186**	**641,122**	**1,332,568**

Government grant income consists of the Canada Emergency Wage Subsidy (“CEWS”), and the Canada Emergency Rent Subsidy (“CERS”) provided by the government of Canada as financial assistance during the COVID-19 pandemic.

13. Related party disclosures

(a) Transactions with related parties other than key management personnel

During the year ended December 31, 2021, 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 amount agreed to by the transacting parties as follows:

The Company recognized an expense during the year ended December 31, 2021, for interest on loans to a director of $23,870 (2020 – $132,051).

The Company recognized an expense during the year ended December 31, 2021, for shared-based compensation to directors in the amount of $93,839 (2020 – $70,948).

(b) Transactions with key management personnel

The Company recorded compensation expense during the year ended December 31, 2021, in the amount of $256,600 (2020 – $273,000) and share-based compensation in the amount of $115,625 (2020 – $70,948) to key management personnel.

The Company recognized an expense of $18,132 (2020 – $24,000) during the year ended December 31, 2021, for interest on deferred compensation to a key member of management who is also a director.

13. Related party disclosures – continued

Accounts payable as at December 31, 2021, includes $12,772 (December 31, 2020 – $113,591) related to compensation of a key member of management who is also a director.

14. Financial instruments

[a] Fair value information

The fair values of cash, trade and other receivables and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these instruments.

Fair value estimates of the loans and borrowings are made at the initial recognition date by discounting future cash flows using rates available for debt on similar terms, credit risk and remaining maturities.

[b] Financial risk management objectives and policies

The Company's principal financial liabilities comprise accounts payable and accrued liabilities and various loans and borrowings. The main purpose of these financial liabilities is to finance the Company's operations. The Company's accounts receivable arise from its operations. The Company is exposed to credit risk, liquidity risk, market risk (including foreign currency and interest rate risk).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Company is exposed to credit risk from its operating activities [primarily for trade accounts receivable] and from its financing activities, including deposits with banks and financial institutions. Customer credit risk is managed subject to the Company's established policies, procedures and controls relating to customer credit risk management. The requirement for an impairment is analyzed at each reporting date on an individual basis. The maximum exposure to credit risk at the reporting date is the carrying value of trade accounts receivable and cash.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations under its various loans and borrowings. The Company is exposed to liquidity risk from its financing activities, primarily for its various loans and borrowings and accounts payable and accrued liabilities. The Company monitors its risk to a shortage of funds regularly. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The Company's goal is to manage market risk exposures within acceptable parameters while optimizing its return. The Company's financial risk management policy establishes guidelines on how the Company is to manage the market risk inherent to the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures.

14. Financial instruments – continued

Market risk – continued

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have a material amount of long-term debt with variable interest rates, thereby minimizing the Company's exposure to cash flow interest rate risk.

Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily the U.S. dollar with a large portion of the Company's sales being realized in this currency.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including expected interest payments:

As at December 31, 2021	**Less than 1 year**	**2 – 3 years**	**4 – 5 years**	**Greater than 5 years**	**Total**
	$	$	$	$	$
Accounts payable and accrued liabilities and provisions	512,705	-	-	-	512,705
CEBA Loan	-	101,072	-	-	101,072
Deferred compensation	285,632	-	-	-	285,632
Lease obligations	38,069	96,282	-	-	134,351
Term loan payable	80,004	147,854	222,795	1,911,974	2,362,627
Mortgages payable	30,000	485,967	-	-	515,967
Total	**946,410**	**831,175**	**222,795**	**1,911,974**	**3,912,354**

[c] Capital management

The Company's objectives when managing its capital are:

i. to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
ii. to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
iii. to safeguard the Company's ability to obtain financing should the need arise; and
iv. to maintain financial flexibility in order to have access to capital in the event of future acquisitions and to improve current and new research and development for new technologies.

14. Financial instruments – continued

The Company manages the following as capital:

	December 31, 2021	December 31, 2020
	$	$
Interest bearing loans and borrowings	3,265,298	4,418,417
Lease liabilities	134,351	190,344
Trade payables and other provisions	512,705	475,894
Less cash and cash equivalents	(297,235)	(619,721)
Net debt	**3,615,119**	**4,464,934**
Shareholders' deficiency	(1,337,015)	(3,797,430)
Total capital (deficiency)	**2,278,104**	**667,504**

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets. The Company monitors the return on capital, which is defined as total shareholders' equity. There were no changes in the

Company's approach to capital management during the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

15. Commitments and 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 year. 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.

(a) Partnership to enter European Market

On August 25, 2020, the Company announced that is signed an agreement with a European development and investment company to enter into a partnership to develop waste tire recycling plants across Europe. The first project of this partnership will be a TR100 tire recycling plant in Europe which utilizes the Company's reverse polymerization technology. Subject to certain conditions, exclusions and performance criteria, the Company granted to its partner exclusive rights to its technology across Europe. In exchange for these exclusive rights, its partner is required to meet performance criteria

15. Commitments and contingencies – continued

such as the timely purchase and construction of a TR100, and must order and build additional plants within the first five years of the partnership to retain their exclusive rights to this technology in Europe. The counterparty to this agreement participated in the June 30, 2020, private placement and in the April 13, 2022 private placement.

16. Segment information

The Company is organized into one operating segment. Management monitors the operating results of the Company on this basis.

During the year ended December 31, 2021, 68% of revenue is attributable to the United States (2020 – 100%), and 32% from Canada (2020 – Nil).

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

17. Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

	2021	2020
	$	$
Net loss before recovery of income taxes	(1,314,921)	(2,417,204)
Expected income tax (recovery) expense	(348,454)	(640,559)
Share based compensation and non-deductible expenses	179,920	76,140
Share issuance cost booked through equity	(4,601)	(4,815)
Change in fair value of derivative	(176,776)	166,288
Change in tax benefits not recognized	364,561	327,105
Loss of SR&ED carryforward credits	—	72,934
Book-to-filing and other adjustments	(14,648)	2,907
Income tax (recovery) expense	—	—
Unrecognized deferred tax assets		
Property, plant and equipment	2,542,296	2,411,688
Intangible Assets	394,610	394,610
Right of use assets offset with lease liabilities	16,438	626
Schedule 13 Reserves	321,045	523,145
Non-capital losses carried forward	23,664,983	22,334,914
Investment Tax Credits from schedule	2,423,770	2,423,770
SR&ED Pool from T661	2,559,396	2,559,396
Ontario Research and Development Tax Credit	242,496	235,089
Imputed Interest on loans and notes	410,762	405,819
Government Grant - CEBA loan	13,598	7,475
Deferred financing cost and other	190,797	107,960
	32,780,192	**31,404,492**

The Canadian non-capital loss carry forwards expire as noted in the table below.
Share issue and financing costs will be fully amortized in 2025.
Investment tax credit expire from 2024-2036.
The remaining deductible temporary differences may be carried forward indefinitely.
Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

17. Taxes – continued

The Company's Canadian non-capital income tax losses expire as follows:

2026	241,634
2028	519,673
2029	1,157,841
2030	2,513,251
2031	94,119
2031	3,561,899
2032	2,220,307
2033	1,444,772
2034	2,830,766
2035	1,471,694
2036	782,905
2037	1,765,317
2038	1,036,077
2039	903,372
2040	1,597,190
2041	1,524,167
	23,664,984

18. COVID-19

In March 2020, there was a global outbreak of the coronavirus COVID-19 which has had impact on businesses through the restrictions put in place by the Canadian, provincial, and municipal governments. Measures taken to address the COVID-19 pandemic had an impact on the Company in the year resulting in a decrease in maintenance revenues due to the inability to travel to the US. In addition, the COVID-19 pandemic has slowed current negotiations on plant sales, although none have been abandoned.

Depending on the severity and duration of COVID-19 disruptions, including the current resurgence and possible future resurgences in the number of COVID-19 cases the company's financial results could continue to be negatively impacted in future years.

19. Comparative Financial Statements

Certain figures in the comparative financial statements, namely the presentation of expenses by function *(note 12)*, have been reclassified to conform to the current year presentation.

20. Subsequent Events

$825,000 Private Placement

On April 13, 2022 the Company completed a non brokered private placement for proceeds of $825,000 through the issuance of 8,250,000 units consisting of 8,250,000 common shares 8,250,000 share purchase warrants at $0.10 per unit. Each Warrant expires two years from the closing and has a strike price of $0.15. Five members of the Company's Board of Directors and a senior member of management of the Company participated in the purchase of units in the offering. Certain members of Windspace A/S, the Danish company that is currently working on securing financing for a 100 tonne per day plant in Nyborg, Denmark utilizing the company's technology, also participated in the placement.

Deferred Compensation

On April 27, 2022 the Company signed an agreement to postpone the maturity date on the deferred compensation payable (note 8f) from January 15, 2022 to January 15, 2024.