Interim Condensed Consolidated Financial Statements

Environmental Waste International Inc.

For the three months ended March 31, 2021 and 2020

(Unaudited)

Environmental Waste International Inc.

Interim condensed consolidated statements of financial position

[Expressed in Canadian dollars]
[Unaudited]

As at	Note	**March 31, 2021** $	December 31, 2020 $
Assets			
Current			
Cash		**507,902**	619,721
Trade and other receivables		**34,514**	63,403
Government remittances recoverable		**41,798**	59,452
Prepaid expenses and sundry		**32,054**	51,387
		616,268	793,963
Assets held for sale	5	**1,500,284**	—
Total current assets		**2,116,552**	793,963
Property and equipment, net	6	**23,676**	1,007,006
Right-of-use asset	7	**140,589**	148,010
		2,280,817	1,948,979
Liabilities and shareholders' deficiency			
Current			
Accounts payable and accrued liabilities	15b	**442,782**	436,294
Provisions	8	**29,100**	39,600
Current portion of lease liability	7	**24,262**	14,285
Current portion of promissory note payable	9c	**1,092,904**	1,077,904
Current portion of term loan payable	9b	**291,644**	2,230,344
Current portion of mortgages payable	9e	**—**	2,253
Contract liability		**39,697**	63,515
Deferred compensation	9f	**436,000**	—
Derivative liability	9d	**1,040,383**	757,295
		3,396,772	4,621,490
Liabilities directly associated with the assets held for sale	5	**2,527,373**	—
Total current liabilities		**5,924,145**	4,621,490
Lease liability	7	**127,698**	134,351
CEBA loans payable	9a	**103,398**	67,475
Mortgage payable	9e	**—**	493,093
Deferred compensation	9f	**—**	430,000
Total liabilities		**6,155,241**	5,746,409
Shareholders' deficiency			
Capital stock	10a	**54,657,588**	54,481,040
Contributed surplus	10d	**6,746,097**	6,760,615
Deficit		**(65,677,685)**	(65,039,085)
Shareholders' deficiency attributable to equity holders of the parent		**(4,274,000)**	(3,797,430)
Non-controlling interests	11	**399,576**	—
Total shareholders' deficiency		**(3,874,424)**	(3,797,430)
		2,280,817	1,948,979

Going concern	3
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The accompanying notes are an integral part of these interim condensed consolidated financial statements

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

Environmental Waste International Inc.

Interim condensed consolidated statements of income (loss) and comprehensive income (loss)

[Expressed in Canadian dollars]
[Unaudited]

	Note	Three months ended March 31, 2021 $	Three months ended March 31, 2020 $
Revenue		**23,818**	41,822
Expenses			
Technology development	13	**66,609**	77,305
Selling, marketing and administration	13	**128,338**	213,814
Stock-based compensation	10b	**35,849**	35,406
Depreciation of property and equipment	6	**1,134**	575
Amortization of right-of-use asset	7	**7,412**	8,586
		239,342	335,686
Operating loss		**(215,524)**	(293,864)
Other income (expenses)			
Gain on recognition of interest-free loans	9a	**6,254**	—
Finance costs	9g	**(51,148)**	(113,612)
Foreign exchange loss		**(97)**	(21,242)
Change in fair value of derivative	9d	**(283,088)**	1,225,820
		(328,079)	1,090,966
Net loss and comprehensive loss for the period from continuing operations		**(543,603)**	797,102
Net loss and comprehensive loss for the period from discontinued operations	5	**(95,421)**	(90,216)
Net loss and comprehensive loss for the period		**(639,024)**	706,886
Net loss and comprehensive loss attributable to non-controlling interests	11	**(424)**	**—**
Net loss attributable to equity holders of the parent		**(638,600)**	706,886
Loss per share from continuing operations – basic		**(0.002)**	0.004
Loss per share from continuing operations – diluted		**(0.002)**	0.003
Loss per share from discontinued operations – basic		**(0.000)**	(0.000)
Loss per share from discontinued operations – diluted		**(0.000)**	(0.000)
Weighted average number of shares outstanding			
basic		**247,571,706**	214,356,649
diluted		**247,571,706**	251,356,649

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

Environmental Waste International Inc.

Interim condensed consolidated statements of changes in shareholders' deficiency

[Expressed in Canadian dollars]
[Unaudited]

Three months ended March 31, 2021 and 2020

	Note	Capital Stock #	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)
Stock-based compensation	9b	—	—	35,406	—	35,406	—	35,406
Net income and comprehensive income for the period		—	—	—	706,886	706,886	—	706,886
Balance, March 31, 2020		**214,356,649**	**50,611,761**	**6,527,906**	**(61,914,995)**	**(4,775,328)**	**—**	**(4,775,328)**
Stock-based compensation	9b	—	—	123,210	—	123,210	—	123,210
Issuance of shares pursuant to private placement	9a	6,153,846	211,921	—	—	211,921	—	211,921
Issuance of warrants pursuant to private placement	9a	—	—	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 options exercised	9a	1,548,308	223,116	(75,284)	—	147,832	—	147,832
Share issue costs	9a	—	(14,872)	(3,296)	—	(18,168)	—	(18,168)
Net loss and comprehensive loss for the period		—	—	—	(3,124,090)	(3,124,090)	—	(3,124,090)
Balance, December 31, 2020		**247,172,840**	**54,481,040**	**6,760,615**	**(65,039,085)**	**(3,797,430)**	**—**	**(3,797,430)**
Stock-based compensation	9b	—	—	35,849	—	35,849	—	35,849
Stock options exercised	9b	833,308	115,402	(39,221)	—	76,181	—	76,181
Warrants exercised	9c	250,000	61,146	(11,146)	—	50,000	—	50,000
Issuance of shares in Ellsin Environmental Ltd.	5, 11	—	—	—	—	—	400,000	400,000
Net loss and comprehensive loss for the period		—	—	—	(638,600)	(638,600)	(424)	(639,024)
Balance, March 31, 2021		**248,256,148**	**54,657,588**	**6,746,097**	**(65,677,685)**	**(4,274,000)**	**399,576**	**(3,874,424)**

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

Environmental Waste International Inc.

Interim condensed consolidated statements of cash flows

[Expressed in Canadian dollars]
[Unaudited]

	Note	**Three months ended March 31, 2021 $**	Three months ended March 31, 2020 $
Operating activities			
Net income (loss) from continuing operations for the period		**(543,603)**	797,102
Add items not involving cash			
Stock-based compensation	10b	**35,849**	35,406
Depreciation of property and equipment	6	**1,134**	575
Amortization of right-of-use asset	7	**7,412**	8,586
Finance costs	9g	**48,971**	70,318
Gain on recognition of interest-free loan	9a	**(6,254)**	—
Accretion expense	9a, 9g	**1,087**	43,116
Change in fair value of derivative	9d	**283,088**	(1,225,820)
		(172,316)	(270,717)
Changes in non-cash working capital balances related to continuing operations			
Trade and other receivables		**28,889**	17,469
Government remittances recoverable		**17,654**	64,472
Prepaid expenses and sundry		**19,333**	3,642
Accounts payable and accrued liabilities		**6,488**	89,326
Provisions		**(10,500)**	(10,500)
Contract liability		**(23,818)**	(26,133)
		38,046	138,276
Cash used in operating activities from continuing operations		**(134,270)**	(132,441)
Cash used in operating activities from discontinued operations	5	**(115,687)**	(69,988)
Cash used in operating activities		**(249,957)**	(202,429)
Investing activities			
Purchase of property and equipment	6	**(8,010)**	—
Cash used in investing activities		**(8,010)**	—
Financing activities			
Proceeds from loans payable	9a	**40,000**	—
Proceeds from exercise of stock options	10b	**76,181**	—
Proceeds from exercise of warrants	10c	**50,000**	—
Repayments of mortgage payable	9e	**—**	(4,822)
Repayments of lease obligations	7	**—**	(8,570)
Cash provided by (used in) financing activities from continuing operations		**166,181**	(13,392)
Cash used in financing activities from discontinued operations	5	**(20,033)**	—
Cash provided by (used in) financing activities		**146,148**	(13,392)
Net decrease in cash during the period		**(111,819)**	(215,821)
Cash, beginning of period		**619,721**	885,591
Cash, end of period		**507,902**	669,770

The accompanying notes are an integral part of these interim condensed 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 interim, condensed, consolidated financial statements of EWI were authorized for issue in accordance with a resolution of the Board of Directors on May 28, 2021. 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 unaudited interim condensed consolidated financial statements of EWI have been prepared in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" {IAS 34}. The notes presented in these unaudited interim consolidated financial statements include only significant events and transactions occurring since the last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited consolidated financial statements. The policies applied in these unaudited interim condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These interim condensed consolidated financial statements have been prepared on a historical cost basis. These unaudited interim condensed consolidated financial statements are presented in Canadian dollars.

3. Going concern assumption

These unaudited interim condensed consolidated financial statements have been prepared on a basis that assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These unaudited interim condensed consolidated financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company incurred a net loss of $639,024 during the three months ended March 31, 2021 and, as at that date, had working capital deficiency for of $3,807,593 [December 31, 2020 – $3,827,527] and a cumulative deficit of $65,677,685 [December 31, 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 period *[note 20b]*, 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

The Company's principal accounting policies were outlined in the Company's annual audited consolidated financial statements for the year ended December 31, 2020 and have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2020. New accounting policies for matters that have occurred subsequent to December 31, 2020, are included below.

4. Summary of significant accounting policies – continued

Basis of consolidation

The unaudited interim condensed consolidated financial statements include the accounts of the Company and the following subsidiaries at the following ownership percentages: Environmental Waste Management Corporation [100%], Jaguar Carbon Sales Limited [100%], Ellsin Environmental Ltd. [96% at March 31, 2021, 100% at December 31, 2020], EWI Rubber Inc. [100%] and 2228641 Ontario Limited [100%].

Assets held for sale and discontinued operations

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts principally through a sale transaction rather than through continuing use. The Company measures assets or disposal groups at the lower of their carrying amount and fair value, less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs.

To meet the criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. The Company must be committed to a plan to sell the assets or disposal group and the sale should be expected to be completed within one year from the date of classification. Property and equipment are not depreciated, depleted, or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items on the statements of financial position. Comparative period statements of financial position are not restated.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. Operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies an operation as a discontinued operation, it represents the comparative statement of loss and comprehensive loss as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results for the discontinued operations and any gain or loss from disposal from the statement of loss and comprehensive loss from continuing operations and presents them on a separate line as profit or loss from the discontinued operation. Per share information and changes to other comprehensive loss related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the statements of cash flows.

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Company, but may impact future periods should the company enter into any business combinations.

4. Summary of significant accounting policies – continued

COVID-19 Related Rent Concessions – Amendment to IFRS 16 Leases

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Company.

5. Discontinued operations

On March 22, 2021, the Company entered into an agreement with Torreco Inc. (“Torreco”), a private Ontario corporation, whereby that entity will invest $7,000,00 in Ellsin Environmental Ltd. (“Ellsin”) to convert Ellsin’s pilot plant in Sault Ste. Marie, Ontario into a commercial scale recycling plant utilizing the Company’s patented microwave technology. Following the receipt of all of the committed Torreco funds, Torreco will own 70% of Ellsin and the Company will retain a 30% ownership interest in Ellsin. Under the agreement, the Company will also receive a royalty in perpetuity on the revenue generated from the sale of commodities produced from its tire recycling process. 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 19, 2021, and an additional $600,000 was received on April 7, 2021. The remaining $6,000,000 is scheduled to be paid by Torreco to Ellsin in four tranches up to August 10, 2021.

As a result of the Company having committed to an agreement and plan involving loss of control of Ellsin, the operating results and assets and liabilities of Ellsin have been presented in the unaudited interim condensed consolidated financial statements as a discontinued operation.

The following table summarizes the total assets held for sale and associated liabilities of Ellsin at March 31, 2021:

As at	**March 31, 2021** **$**
Assets	
Cash	448,549
Other receivables	4,884
Government remittances recoverable	722
Prepaid expenses and sundry	73,495
Property and equipment, net	972,634
Total assets directly associated with assets held for sale	**1,500,284**

5. Discontinued operations – continued

As at	**March 31, 2021**
	$
Liabilities	
Accounts payable and accrued liabilities	62,752
Term loan payable	1,964,437
Mortgage payable	500,184
Total liabilities directly associated with asets held for sale	**2,527,373**

The results of Ellsin classified as discontinued operations for three months ended March 31, 2021 and 2020 are as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Expenses		
Plant operations	**64,422**	69,988
Depreciation of property and equipment	**17,572**	20,050
Operating loss from discontinued operations	**(81,994)**	(90,038)
Finance costs	**13,427**	178
Net loss and comprehensive loss from discontinued operations	**(95,421)**	(90,216)
Loss per share from discontinued operations – basic and diluted	**(0.000)**	(0.000)

Due to accumulated net losses in Ellsin, there is no income tax expense recorded in respect of the discontinued operations.

Notes to interim condensed consolidated financial statements

For the three months ended March 31, 2021 and 2020

5. Discontinued operations – continued

The net cash flows incurred by Ellsin are as follows:

	Note	**Three months ended March 31, 2021** **$**	Three months ended March 31, 2020 $
Operating activities			
Net loss from discontinued operations for the period		**(95,421)**	(90,216)
Add items not involving cash			
Depreciation of property and equipment, discontinued operations	6	**17,572**	20,050
Finance costs, discontinued operations	9e	**12,337**	178
Accretion expense, discontinued operations	9a	**1,090**	—
		30,999	20,228
Changes in non-cash working capital balances related to discontinued operations			
Trade and other receivables		**(4,884)**	—
Government remittances recoverable		**(223)**	—
Prepaid expenses and sundry		**(38,445)**	—
Accounts payable and accrued liabilities		**(7,713)**	—
		(51,265)	—
Cash used in operating activities		**(115,687)**	(69,988)
Cash used in Investing activities		**—**	—
Financing activities			
Proceeds from issuance of shares in Ellsin Environmental Ltd.	11	**400,000**	—
Cash when Ellsin Environmental Ltd. recognized in discontinued operations		**(420,033)**	—
Cash used in financing activities		**(20,033)**	—
Net cash outflow		**(135,720)**	(69,988)

6. Property and equipment

Property and equipment consist of the following:

	Land	Building	Leasehold improvements	Fixtures	Computer equipment	Office equipment	Equipment – gas engine	Total
	$	$	$	$	$	$	$	$
Cost								
As at December 31, 2019	68,261	984,994	-	71,060	36,725	38,566	719,169	1,918,775
Additions	-	-	9,185	-	-	-	-	9,185
As at December 31, 2020	**68,261**	**984,994**	**9,185**	**71,060**	**36,725**	**38,566**	**719,169**	**1,927,960**
Additions	-	-	8,010	-	-	-	-	8,010
Assets held for sale	(68,261)	(984,994)	-	(71,060)		(3,440)	(719,169)	(1,846,924)
As at March 31, 2021	**-**	**-**	**17,195**	**-**	**36,725**	**35,126**	**-**	**89,046**
Accumulated depreciation								
As at December 31, 2019	-	301,339	-	42,633	35,767	28,695	429,867	838,301
Depreciation	-	27,346	153	4,737	325	2,147	47,945	82,653
As at December 31, 2020	**-**	**328,685**	**153**	**47,370**	**36,092**	**30,842**	**477,812**	**920,954**
Depreciation	-	5,834	593	1,056	48	430	10,745	18,706
Assets held for sale	-	(334,519)	-	(48,426)	-	(2,788)	(488,557)	(874,290)
As at March 31, 2021	**-**	**-**	**746**	**-**	**36,140**	**28,484**	**-**	**65,370**
Net book value								
As at December 31, 2020	68,261	656,309	9,032	23,690	633	7,724	241,357	1,007,006
As at March 31, 2021	**-**	**-**	**16,449**	**-**	**585**	**6,642**	**-**	**23,676**
Net book value allocated to assets held for sale during the three months ended March 31, 2021:								
Assets held for sale	**68,261**	**650,475**	**-**	**22,634**	**-**	**652**	**230,612**	**972,634**

7. 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.

	$
Balance, January 1, 2020	91,578
Addition	150,566
Write off due to termination of lease	(60,104)
Amortization	(34,039)
Balance, December 31, 2020	**148,001**
Amortization	(7,412)
Balance, March 31, 2021	**140,589**

7. Lease assets and liabilities – continued

	$
Balance, January 1, 2020	84,705
Addition	150,566
Write off due to termination of lease	(57,099)
Interest expense on lease obligation	4,909
Rent payments	(34,445)
Balance, December 31, 2020	**148,636**
Interest expense on lease obligations	3,324
Rent payments	-
Balance, March 31, 2021	**151,960**

	$
Current portion	24,262
Non-current portion	127,698
Balance, March 31, 2021	**151,960**

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.

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

	$
Year 1	30,364
Year 2	38,220
Year 3	40,033
Year 4	41,845
Year 5	39,882
Total undiscounted lease obligation	190,344

Notes to interim condensed consolidated financial statements

For the three months ended March 31, 2021 and 2020

8. Provisions

	March 31, 2021	December 31, 2020
	$	$
Balance, beginning of period	**39,600**	81,600
Paid during the period	**(10,500)**	(42,000)
Balance, end of period	**29,100**	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. No payments were made in 2019 based on a verbal agreement between the parties. In December 2019, the parties signed an agreement to reduce the monthly installments to $3,500 per month during an interim period until the Company receives a down payment from a customer to build its first commercial plant. At that time, the Company will resume original installments and any monies paid during the interim period will reduce the number of remaining payments or final payment amount. During the three months ended March 31, 2021, the Company paid $10,500 representing $3,500 per month (2020 – $10,500).

9. Loans and borrowings

[a] CEBA loans payable consist of the following:

	March 31, 2021	December 31, 2020
	$	$
Loans payable at fair value at inception	**97,047**	63,301
Accumulated accretion expense	**6,351**	4,174
Balance, end of period	**103,398**	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 2022. Repayment of $40,000 of each of the loans ($80,000 in aggregate) on or before December 31, 2022 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 three-year term loan at a 5% interest rate.

9. Loans and borrowings – continued

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 difference of $6,254 between the fair value and total amount of proceeds received of $40,000 was recorded as a gain on recognition of interest-free loan during the three months ended March 31, 2021.

During the three months ended March 31, 2021, the Company recorded $2,177 of accretion expense associated with the CEBA loans (2020 – $nil).

[b] Term loan payable consists of the following:

	March 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 January 1, 2029.	**2,291,645**	2,266,998
Less: gain on modification of loan	**(40,284)**	(40,284)
	2,251,361	2,226,714
Accretion expense	**4,720**	3,630
	2,256,081	2,230,344
Transferred to liabilities directly associated with assets held for sale	**(1,964,437)**	-
	291,644	2,230,344
Less: current portion	**291,644**	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 May 1, 2020 and blended payments to start July 1, 2021.

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.

9. Loans and borrowings – continued

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 period, Ellsin recorded a gain on modification of debt of $40,284 in the year ended December 31, 2020.

The amount of interest accrued at March 31, 2021 was $291,645 [December 31, 2020 – $266,998]. During the three months ended March 31, 2021, Ellsin recorded interest expense of $24,647 (2020 – $22,717) and accretion expense of $1,090 (2020 – $nil).

On March 22, 2021, Ellsin entered into an agreement with Torreco *[note 5, 11]* to expand and modernize the plant in Sault Ste. Marie. Ellsin renegotiated the repayment terms with NOHFC to defer catch-up interest and go-forward interest and principal payments in order to ensure that the plant is fully operational while not placing a financial burden on Ellsin early in the commercialization phase *[note 20b].* As part of this agreement, EWI will maintain responsibility for the payment of interest presently accrued under the term loan.

Ellsin is the holder of this term loan, and as such, the fair value of $1,964,437 representing the principal portion of $2,000,000 less gain on modification of loan of $40,284 plus accrued accretion expense of $4,720, has been transferred to liabilities directly associated with assets held for sale on March 22, 2021 *[note 5].* Accrued interest in the amount of $291,645 representing interest accrued from May 2017 to March 31, 2021 continues to be an obligation of the parent company, EWI, as agreed to by NOHFC, Ellsin and EWI.

[c] Promissory note payable consists of the following:

	March 31, 2021	December 31, 2020
	$	$
Promissory note payable, with interest at 6% per annum, principal and accrued interest payments payable on July 15, 2021	**1,092,904**	1,077,904
Less: current portion	**1,092,904**	1,077,904
	-	-

In April 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 of this note was increased to $1,537,209 by December 31, 2018. As at August 31, 2019, the total amount including principal and interest owing was $1,710,000. Pursuant to an agreement signed on September 16, 2019, the parties agreed to settle $710,000 of the total amount owing by issuing 14,200,000 common shares of the Company at $0.05 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. All other terms of the note remain unchanged. There was no gain or loss on settlement of this debt as the fair value of the equity issued was the same as the fair value of the debt on the settlement date.

Interest expense for the three months ended March 31, 2021 was $15,000 (2020 – $15,000).

Subsequent to March 31, 2021, this promissory note was converted to common shares of the Company on May 24, 2021 *[note 20e].*

9. 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 January 1, 2020	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	-	-	283,088	283,088	283,088
As at March 31, 2021	**-**	**-**	**1,040,383**	**1,040,383**	**1,040,383**

On April 12, 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 period 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 Monte Carlo simulation model used the following assumptions on September 11, 2020 as well as the probability of subsequent equity raises and expected issuance price: exercise price $0.10, daily volatility 12.084%, dividend yield 0%, risk free rate 0.26% and an expected life of 1.61 years. An exercise price of $0.10 per share was used based on the conversion price available to the holder of the note after September 16, 2020. This value as well as the carrying value of the convertible debt, which amounted to $3,449,114 in aggregate, was transferred to share capital upon conversion *[note 11a].* Costs of $12,275 relating to the conversion of debt were deducted from share capital.

This derivative liability is re-valued at each period end using the Monte Carlo simulation model, and the change in value is recorded as a gain or loss in the consolidated statement of loss and comprehensive loss. The residual balance that remains at March 31, 2021 represents the fair value of the derivative liability associated with 3,712,500 warrants that were issued with the debt on April 12, 2017.

The change in fair value of warrant derivative liability for the three months ended March 31, 2021 was a loss of $283,088 (2020 – gain of $1,225,820 on conversion feature and warrants). For the three months ended March 31, 2021, accretion expense was $nil (2020 – $43,116), and interest expense was $nil (2020 – $25,588).

9. Loans and borrowings – continued

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

	As at March 31, 2021		As at December 31, 2020	
	Cash liability	**Accounting liability**	Cash liability	Accounting liability
	$	$	$	$
Convertible loan	-	830,388	1,850,000	830,388
Accrued interest	-	268,521	268,521	268,521
Accrued accretion expense	-	456,205	-	456,205
Conversion to share capital	-	(1,555,114)	(2,118,521)	(1,555,114)
Convertible loan liability	-	-	-	-
Derivative liability	-	2,934,383	-	2,651,295
Conversion to share capital	-	(1,894,000)	-	(1,894,000)
Derivative liability	-	1,040,383	-	757,295
Total liability	**-**	**1,040,383**	**-**	**757,295**

As at March 31, 2021, the difference between the cash liability and accounting liability of $1,040,383 (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 March 31, 2021 and December 31, 2020 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 period-end are as follows:

	March 31, 2021	December 31, 2020
	$	$
Volatility	**216.3%**	218.9%
Dividend yield	**0.0%**	0.0%
Risk free rate	**0.22%**	0.20%

9. Loans and borrowings – continued

[e] Mortgage payable consists of the following:

	March 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	**14,394**	10,379
Debt issue costs	**(16,687)**	(16,687)
Cumulative amortization of debt issue costs	**2,477**	1,654
	500,184	495,346
Less: current portion	**2,301**	2,253
	497,883	493,093

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 March 31, 2021, the total value of the interest that may be repayable in shares was $15,000 (December 31, 2020 – $10,000).

Total interest expense on mortgages of $12,337, including the previous mortgage that was repaid on July 3, 2020, was recorded for the three months ended March 31, 2021 (2020 – $178).

Ellsin is the holder of this mortgage, and as such this loan has been classified as liabilities directly associated with assets held for sale on March 22, 2021 *[note 5].*

[f] Deferred compensation

	March 31, 2021	December 31, 2020
	$	$
Deferred compensation with interest at 6% per annum, calculated monthly in arrears, payable January 15, 2022	**400,000**	400,000
Accrued interest	**36,000**	30,000
	436,000	430,000
Less: current portion	**436,000**	-
	-	430,000

9. Loans and borrowings – continued

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.

Total interest of $6,000 was recorded for the three months ended March 31, 2021 (2020 – $6,000).

Subsequent to March 31, 2021, a portion of this debt in the amount of $162,500 was converted to common shares of the Company on May 24, 2021 *[note 20e].*

[g] Finance costs

Finance costs for the periods ended March 31, 2021 and 2020 are as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Interest on lease liabilities *[note 7]*	**3,324**	1,191
Interest on term loan *[note 9b]*	**24,647**	22,717
Interest on promissory note payable *[note 9c]*	**15,000**	15,000
Interest on convertible loan payable *[note 9d]*	**-**	25,588
Interest on deferred compensation *[note 9f]*	**6,000**	6,000
Accretion expense on CEBA loan payable *[note 9a]*	**2,177**	-
Accretion expense on convertible loan payable *[note 9d]*	**-**	43,116
	51,148	113,612

10. Share capital and reserves

[a] Share Capital

Authorized – Unlimited number of shares	**Number of shares**	**Amount**
Issued and outstanding:	#	$
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**
Stock options exercised [4]	833,308	115,402
Warrants exercised [5]	250,000	61,146
Balance, March 31, 2021	**248,256,148**	**54,657,588**

[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 $3,296 was allocated to contributed surplus. Associated share issue costs of $2,597 attributable to share capital were adjusted against share capital.

[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 *[note 9d].* 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] During the three months ended March 31, 2021, the Company received total proceeds of $76,181 for the issuance of a total of 833,308 common shares as a result of stock options exercised at a price in the range of $0.06 to $0.11. An amount of $39,221 related to the options exercised was transferred from contributed surplus to share capital.

[5] During the three months ended March 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.

10. Share capital and reserves – continued

[b] Share-based payment plans

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

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

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

	March 31, 2021		**December 31, 2020**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
	#	$	#	$
Outstanding, beginning of period	11,210,442	0.08	12,788,750	0.10
Granted	-	-	3,905,000	0.05
Expired	-	-	(3,935,000)	(0.10)
Exercised	(833,308)	(0.09)	(1,548,308)	(0.10)
Outstanding, end of period	10,377,134	0.08	11,210,442	0.08
Exercisable, end of period	3,525,772	0.08	4,359,080	0.08

During the three months ended March 31, 2021 833,308 stock options were exercised at prices ranging from $0.06 to $0.11 for total proceeds of $76,182.

During the year ended December 31, 2020, the Company granted 3,905,000 stock options to directors, officers, employees and consultants with an exercise price of $0.05 which vest over three years and expire in five years.

During the year ended December 31, 2020, 3,935,000 options with an exercise price of $0.10 expired.

During the year ended December 31, 2020, a total of 1,548,308 stock options were exercised at prices ranging from $0.06 to $0.11 for total proceeds of $147,832.

There were no option grants during the three months ended March 31, 2021. Stock-based compensation expense of $35,849 totaled during the three months ended March 31, 2021 [2020 – $35,406] from grants issued prior to 2021.

10. Share capital and reserves – continued

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

	Outstanding stock options		
As at March 31, 2021 Range of exercise prices	**Number of options**	**Remaining contractual life**	**Weighted average exercise price**
$	#	[years]	$
0.05	3,905,000	4.25	0.05
0.06	2,790,051	3.48	0.06
0.10	2,569,583	2.02	0.10
0.11	450,000	0.20	0.11
0.18	662,500	3.10	0.18
	10,377,134	3.24	0.08

[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 period of five years. The value of these warrants has been accounted for as a derivative liability *[note 9d]*.

Pursuant to the financings on April 30, 2019 and September 16, 2019, the Company issued 4,750,000 and 11,850,000 common share purchase warrants that entitle the holder to receive one common share at a price of $0.20 for a period of three years. The value of these warrants are $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 period 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.

On March 17, 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 March 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, March 31, 2021	**26,216,346**	**2.00**	**0.18**

10. Share capital and reserves – continued

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

	Outstanding and exercisable warrants		
As at March 31, 2021 Range of exercise prices	**Number of warrants**	**Weighted average remaining contractual life**	**Weighted average exercise price**
$	#	[years]	$
0.11	3,712,500	1.10	0.11
0.18-0.20	22,503,846	1.84	0.19
	26,216,346	2.00	0.18

[d] Contributed surplus

	March 31, 2021	December 31, 2020
	$	$
Balance, beginning of period	**6,760,615**	6,492,500
Stock-based compensation	**35,849**	158,616
Issuance of warrants	**-**	188,079
Stock options exercised	**(39,221)**	(75,284)
Warrants exercised	**(11,146)**	-
Warrant issue costs	**-**	(3,296)
Balance, end of period	**6,746,097**	6,760,615

[e] Per share amounts

For the three months ended March 31, 2021, the weighted average number of shares outstanding was 247,571,706 [2020 – 214,356,649]. As at March 31, 2021, the Company had 10,377,134 stock options [December 31, 2020 – 11,210,442] and 26,216,346 warrants [December 31, 2020 – 26,466,346] outstanding.

The calculation for diluted income per share for the three months ended March 31, 2020 assumes the conversion of $1,850,000 loan payable into 37,000,000 common shares of the Company.

11. Non-controlling interests

On March 22, 2021, the Company entered into an agreement with Torreco *[note 5]*, 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.

Non-controlling interest activity for the three months ended March 31, 2021 is as follows:

	Three months ended March 31, 2021
	$
Balance, beginning of period	**-**
Issuance of shares in Ellsin Environmental Ltd. (4% interest)	**400,000**
Share of net loss for the period	**(424)**
Balance, end of period	**399,576**

Subsequent to March 31, 2021 an additional $600,000 was received on April 7, 2021. The remaining $6,000,000 of financing is scheduled to be paid by Torreco to Ellsin in four remaining tranches up to August 10, 2021.

12. Government assistance

[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 period 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 $24,874 of CEWS during the three months ended March 31, 2021 (2020 – $nil] 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 *[note 13].*

Trade and other receivables at March 31, 2021, include $39,397 [December 31, 2020 – $63,403] related to CEWS that the Company has applied for but not received.

12. Government assistance – continued

[b] 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 period 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 *[note 9a]*. At that time, a difference of $16,699 between the fair value of the loans and the proceeds received was recognized as gain on recognition of interest free loan over the term of the loan and included in other income in the consolidated statements of loss and comprehensive loss.

On January 22, 2021, the Company received additional CEBA loan proceeds totaling $40,000, with $20,000 each received by EWI and EWI Rubber. A difference of $6,254 between the fair value of the loans and the proceeds received was recognized as gain on recognition of interest free loan over the term of the loan and included in other income in the consolidated statements of loss and comprehensive loss during the three months ended March 31, 2021 (2020 – $nil) .

13. Operating expenses by function

The Company classifies its operating expenses into three functions to reflect how it manages its business. Salaries and benefits are allocated to functions as follows for the three months ended March 31, 2021 and 2020:

Government subsidies relates to the Canada Emergency Wage Subsidy ("CEWS") provided by the government of Canada as financial assistance during the COVID-19 pandemic.

Three months ended March 31, 2021	**Technology development**	**Plant operations**	**Selling, marketing and administration**	**Total**
	$	**$**	**$**	**$**
Salaries and benefits	**38,471**	**27,046**	**25,990**	**91,507**
Government grant income	**(10,729)**	**(6,685)**	**(7,460)**	**(24,874)**
	27,742	**20,361**	**18,530**	**66,633**

Three months ended March 31, 2020	**Technology development**	**Plant operations**	**Selling, marketing and administration**	**Total**
	$	**$**	**$**	**$**
Salaries and benefits	49,697	29,286	9,762	88,745

Subsequent to the Company entering into the agreement with Torreco on March 22, 2021 *[note 5]*, the costs associated with plant operations are included in net loss and comprehensive loss from discontinued operations.

14. Income Taxes

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Net income (loss) before income tax expense (recovery)	**(639,024)**	706,886
Expected income tax expense (recovery)	**(169,341)**	187,325
Permanent differences and change in tax benefits not recognized	**169,341**	(187,325)
	-	-

15. Related party disclosures

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

During the three months ended March 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 three months ended March 31, 2021 for interest on loans to a director of $15,000 [2020 – $40,588]. At March 31, 2021, $92,904 was included in loans payable [December 31, 2020 – $77,904] relating to unpaid interest on loans from a director *[note 8c].*

The Company recognized an expense during the three months ended March 31, 2021 for shared-based compensation to directors in the amount of $9,047 [2020 – $5,816].

[b] Transactions with key management personnel

The Company recorded compensation expense during the three months ended March 31, 2021 in the amount of $80,350 [2020 – $59,250] and share-based compensation in the amount of $13,026 [2020 – $14,226] to key management personnel.

The Company recognized an expense of $6,000 [2020 – $6,000] during the three months ended March 31, 2021 for interest on deferred compensation to a key member of management who is also a director.

Accounts payable as at March 31, 2021, includes $92,559 [December 31, 2020 – $113,591] related to compensation of a key member of management who is also a director.

16. 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 period. There are no indemnification claims known to the Company at this time. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in these consolidated financial statements with respect to any indemnifications.

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

[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 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 *[note 10a].*

17. Segment information

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

During the three months ended March 31, 2021 and 2020, 100% of the revenue is attributable to the United States region. During the three months ended March 31, 2021 and 2020, 100% of the revenue is attributable to one customer. All of the Company's non-current assets are located in Canada.

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 periods.

19. Comparative Financial Statements

Certain figures in the comparative financial statements, namely the presentation of expenses by function *[note 13*, have been reclassified to conform to the current period presentation.

20. Subsequent Events

[a] Proceeds from exercise of stock options

During the period from April 1, 2021 to May 28, 2021 a total of 270,000 stock options were exercised for total proceeds of $28,500 by employees, officers and consultants of the Company.

[b] Deferral of NOHFC loan repayments

On April 19, 2021, the NOHFC accepted a proposal from the Company to amend the repayment terms of the term loan payable *[note 9b]* 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 from August 31, 2021 until May 31, 2022 shall accrue and be paid in full no later than 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 11]*.

[c] Private Placement

On April 23, 2021, the Company completed a non-brokered private placement for proceeds of $1,233,000 through the issuance of 4,110,000 common shares at $0.30 per share.

[d] Additional investment in Ellsin

Pursuant to the agreement signed on March 22, 2021 *[note11]*, Torreco advanced and additional $600,000 on April 7, 2021 bringing their ownership in Ellsin up to 10%.

20. Subsequent Events – continued

[e] Debt conversions

On May 24, 2021, the Company entered into two debt conversion agreements to settle the promissory note payable and a portion of the deferred compensation liability. The debt conversion agreement is in respect of settlement of $1,119,517 owing under the promissory note dated April 12, 2017 *[note 9c]* and $162,500 pursuant to a salary and expense deferral agreement dated September 12, 2019 *[note 89.* These debt conversions provide for an aggregate of $1,282,017 of the Company's outstanding debts to be settled through the issuance of an aggregate 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.

Both of these transactions constitute related party transactions, as the promissory note is held by a director and the salary and expense deferral agreement is with the Chief Executive Officer who is also a director of the Company.

The common shares issued pursuant to the Debt Conversions will be subject to a statutory hold period of four months and a day from the date of issuance. Under the policies of the TSX Venture Exchange the settlement of the promissory note payable requires the approval of disinterested shareholders of the Company because the holder of this note will become a new control person of the Company since it will own over 20% of the Company's common stock. The Company will seek shareholder approval at its upcoming annual and special shareholders' meeting scheduled for July 7, 2021.