Interim Condensed Consolidated Financial Statements

Environmental Waste International Inc.

For the three months ended March 31, 2022 and 2021
(Unaudited)

Environmental Waste International Inc.

Interim condensed consolidated statements of financial position

[Expressed in Canadian dollars]
[Unaudited]

As at	Note	March 31, 2022 $	December 31, 2021 $
Assets			
Current			
Cash		378,460	297,235
Trade and other receivables	10	40,668	102,837
Government remittances recoverable		34,250	21,026
Prepaid expenses and sundry		91,581	95,104
Total current assets		544,959	516,202
Property and equipment, net	5	2,185,768	2,031,438
Right-of-use asset	6	110,492	117,913
Total assets		**2,841,219**	**2,665,553**
Liabilities and shareholders' deficiency			
Current			
Accounts payable and accrued liabilities		710,165	512,705
Current portion of lease liability	6	38,523	38,069
Current portion of term loan payable	7b	2,386,773	2,362,627
Current portion of mortgage payable	7d	30,000	30,000
Derivative liability	7c	743	90,214
Deferred compensation	7e	289,196	285,632
Shareholder advances for shares to be purchased	15	386,821	—
Total current liabilities		**3,842,221**	**3,319,247**
Lease liability	6	89,176	96,282
CEBA loans	7a	103,264	101,072
Mortgage payable	7d	491,199	485,967
Total liabilities		**4,525,860**	**4,002,568**
Shareholders' deficiency			
Capital stock	8a	56,997,868	56,997,868
Contributed surplus	8d	7,144,709	7,019,123
Deficit		(66,778,012)	(66,312,558)
Shareholders' deficiency attributable to equity holders of the parent		(2,635,435)	(2,295,567)
Non-controlling interests	9	950,794	958,552
Total shareholders' deficiency		(1,684,641)	(1,337,015)
		2,841,219	**2,665,553**

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 loss and comprehensive loss

[Expressed in Canadian dollars]
[Unaudited]

Three months ended March 31,	Note	2022 $	2021 $
Revenue		—	23,818
Expenses			
Technology development		103,502	66,609
Plant operations		22,372	64,410
Selling, marketing and administration		235,904	128,338
Stock-based compensation	8b	125,585	35,849
Depreciation of property and equipment	5	21,321	18,706
Amortization of right-of-use asset	6	7,421	7,412
		516,105	321,324
Operating loss		**(516,105)**	**(297,506)**
Other income (expenses)			
Gain on recognition of interest-free loans	7a	—	6,254
Finance costs	7f	(45,514)	(64,587)
Foreign exchange loss		(1,064)	(97)
Change in fair value of derivative	7c	89,471	(283,088)
		42,893	**(341,518)**
Net loss and comprehensive loss for the period		**(473,212)**	**(639,024)**
Net loss and comprehensive loss attributable to non-controlling interests	9	(7,758)	(424)
Net loss and comprehensive loss attributable to equity holders of the parent		**(465,454)**	**(638,600)**
Loss per share from operations – basic and diluted		**(0.002)**	**(0.003)**
Weighted average number of shares outstanding basic and diluted		**258,418,943**	**247,571,706**

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]

Three months ended March 31,	Note	2022 $	2021 $
Operating activities			
Net loss for the period		(473,212)	(639,024)
Add items not involving cash			
Stock-based compensation	8b	125,585	35,849
Depreciation of property and equipment	5	21,321	18,706
Amortization of right-of-use asset	6	7,421	7,412
Finance costs	7f	43,308	62,408
Gain on recognition of interest-free loan	10c	—	(6,254)
Accretion expense	7a	2,192	2,177
Change in fair value of derivative	7c	(89,471)	283,088
		(362,856)	**(235,638)**
Changes in non-cash working capital balances			
Trade and other receivables		62,169	24,005
Government remittances recoverable		(13,223)	16,932
Prepaid expenses and sundry		3,523	(54,162)
Accounts payable and accrued liabilities		197,460	69,240
Provisions		—	(10,500)
Contract liability		—	(23,818)
Cash used in operating activities		**(112,927)**	**(213,941)**
Investing activities			
Purchase of property and equipment	5	—	(8,010)
Construction in progress	5	(175,651)	—
Cash used in investing activities		**(175,651)**	**(8,010)**
Financing activities			
Proceeds from CEBA loans payable	7a	—	40,000
Proceeds from Issuance of shares in Ellsin		—	400,000
Proceeds from exercise of stock options		—	76,181
Proceeds from exercise of warrants		—	50,000
Increase in shareholder advances for shares to be purchased	15	386,821	—
Repayments of mortgage payable	7d	(7,500)	(7,500)
Repayments of lease obligations	6	(9,518)	—
Cash provided by financing activities		**369,803**	**558,681**
Net increase in cash during the period		81,225	336,730
Cash, beginning of year		297,235	619,721
Cash, end of period		**378,460**	**956,451**

Environmental Waste International Inc.

Interim condensed consolidated statements of changes in shareholders' deficiency

[Expressed in Canadian dollars]

[Unaudited]

	Note	Capital Stock		Contributed surplus	Deficit	Total attributable to equity holders of the parent	Non-controlling interests	Total
		#	$	$	$	$	$	$
Balance, December 31, 2020		**247,172,840**	**54,481,040**	**6,760,615**	**(65,039,085)**	**(3,797,430)**	**—**	**(3,797,430)**
Stock options exercised	8b	833,308	115,402	(39,221)	—	76,181	—	76,181
Stock-based compensation	8b	—	—	35,849	—	35,849	—	35,849
Warrants exercised	8c	250,000	61,146	(11,146)	—	50,000	—	50,000
Issuance of shares in Ellsin Environmental Ltd.	9	—	—	—	—	—	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)**
Issuance of shares pursuant to private placement	8a	4,110,000	1,233,000	—	—	1,233,000	—	1,233,000
Issuance of shares pursuant to settlement of debt	8a	5,267,812	1,014,427	—	—	1,014,427	—	1,014,427
Stock options exercised	8b	784,983	110,216	(34,467)	—	75,749	—	75,749
Stock-based compensation	8b	—	—	307,493	—	307,493	—	307,493
Issuance of shares in Ellsin Environmental Ltd.	9	—	—	—	—	—	600,000	600,000
Share issue costs		—	(17,363)	—	—	(17,363)	—	(17,363)
Net loss and comprehensive loss for the period		—	—	—	(634,873)	(634,873)	(41,024)	(675,897)
Balance, December 31, 2021		**258,418,943**	**56,997,868**	**7,019,123**	**(66,312,558)**	**(2,295,567)**	**958,552**	**(1,337,015)**
Stock-based compensation	8b	—	—	125,585	—	125,585	—	125,585
Net loss and comprehensive loss for the period		—	—	—	(465,454)	(465,454)	(7,758)	(473,212)
Balance, March 31, 2022		**258,418,943**	**56,997,868**	**7,144,709**	**(66,778,012)**	**(2,635,435)**	**950,794**	**(1,684,641)**

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

Notes to consolidated financial statements

For the three months ended March 31, 2022 and 2021
(Unaudited)

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 unaudited interim condensed consolidated financial statements of EWI have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The notes presented in these unaudited interim condensed 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 $473,212 during the three months ended March 31, 2022 and, as at that date, had working capital deficiency for of $3,297,262 (December 31, 2021 – $2,803,045) and a cumulative deficit of $66,778,012 (December 31, 2021 – $66,312,558).

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 15)*, 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, 2021, 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, 2021. New accounting policies for matters that have occurred subsequent to December 31, 2021, are included below.

Notes to consolidated financial statements

For the three months ended March 31, 2022 and 2021
(Unaudited)

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%), Ellsin Environmental Ltd. (90% at each of March 31, 2022 and December 31, 2021), EWI Rubber Inc. (100%) Jaguar Carbon Sales Limited (100%), and 2228641 Ontario Limited (100%).

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.

5. Property and equipment

Property and equipment consist of the following:

	Computer Hardware	Gas engine	Fixtures	Office equipment	Land	Building	Leasehold improvements	Construction in Progress	Total
	$	$	$	$	$	$	$	$	$
Cost									
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**
Additions	-	-	-	-	-	-	-	175,651	175,651
As at March 31, 2022	**43,836**	**719,169**	**71,060**	**38,566**	**68,261**	**984,994**	**17,195**	**1,270,680**	**3,213,761**
Accumulated depreciation									
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**
Depreciation	468	11,987	1,184	521	-	6,301	860	-	21,321
As at March 31, 2022	**38,059**	**537,653**	**53,288**	**33,570**	**-**	**361,238**	**4,185**	**-**	**1,027,993**
Net book value									
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
As at March 31, 2022	**5,777**	**181,516**	**17,772**	**4,996**	**68,261**	**623,756**	**13,010**	**1,270,680**	**2,185,768**

During the year ended December 31, 2021, the Company began converting its pilot plant in Sault Ste. Marie to a commercial production facility. All expenditures in the year ended December 31, 2021 and the three months ended March 31, 2022 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 March 31, 2022, and December 31, 2021:

	$
Right-of-use Assets	
As at December 31, 2020	**148,001**
Amortization	(30,088)
As at December 31, 2021	**117,913**
Amortization	(7,421)
As at March 31, 2022	**110,492**
Lease Liability	
As at December 31, 2020	**148,636**
Interest expense on lease obligations	12,907
Rent payments	(27,192)
As at December 31, 2021	**134,351**
Interest expense on lease obligations	2,866
Rent payments	(9,518)
As at March 31, 2022	**127,699**
Current portion	38,523
Non-current portion	89,176
As at March 31, 2022	**127,699**

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, 2022:

	$
Year 1	41,392
Year 2	40,033
Year 3	41,845
Year 4	30,364
Total undiscounted lease obligation	**153,634**

7. Loans and borrowings

(a) CEBA loans payable consists of the following:

	March 31, 2022 $	December 31, 2021 $
Loans payable at fair value at inception	**97,047**	**97,047**
Accumulated gain on deferral to 2023	(8,143)	(8,143)
Accumulated accretion expense	14,360	12,168
Balance, end of period	**103,264**	**101,072**

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 2023, 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 March 31, 2021 and recorded the net gain of $6,254.

During the three months ended March 31, 2022, the Company recorded $2,192 of accretion expense associated with the CEBA loans (2021 – $2,177).

7. Loans and borrowings – continued

(b) Term loan payable consists of the following:

	March 31, 2022 $	December 31, 2021 $
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.	2,362,627	2,230,344
Less: (gain)/loss on modification of loan	-	(35,563)
	2,362,627	2,265,907
Interest expense	24,146	94,540
Accretion expense	-	2,180
Balance, end of period	**2,386,773**	**2,362,627**
Current portion	2,386,773	2,362,627
Non-current portion	-	-
	2,386,773	2,362,627

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 9).

As at March 31, 2022, 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 March 31, 2022. The two parties continue to have discussions to defer current payment terms.

The amount of interest accrued as at March 31, 2022, was $386,773 (December 31, 2021 – $362,627). During the three months ended March 31, 2022, the Company recorded interest expense of $24,146 (2021 – $24,647) and accretion expense of $nil (2021 – $1,090).

7. Loans and borrowings – continued

(c) Convertible loan payable consists of the following:

	$
As at December 31, 2020	**757,295**
Loss on revaluation of derivative	(667,081)
As at December 31, 2021	**90,214**
Loss on revaluation of derivative	(89,471)
As at March 31, 2022	**743**

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.

This derivative liability was re-valued at March 31, 2022 and 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 period-end are as follows:

	March 31, 2022	**December 31, 2021**
	$	$
Volatility	94.0%	115.1%
Dividend yield	0.0%	0.0%
Risk free rate	2.40%	0.95%

The change in fair value of warrant derivative liability for the three months ended March 31, 2022, was a gain of $89,471 (2021 – loss of $283,088).

As at March 31, 2022, the warrant derivative liability balance of $743 (December 31, 2021 – $90,214) 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.

Notes to consolidated financial statements

For the three months ended March 31, 2022 and 2021
(Unaudited)

7. Loans and borrowings – continued

(d) Mortgage payable consists of the following:

Particulars	March 31, 2022 $	December 31, 2021 $
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	32,073	27,665
	532,073	**527,665**
Debt issue costs	(16,687)	(16,687)
Cumulative amortization of debt issue costs	5,813	4,989
Balance, end of period	**521,199**	**515,967**
Current portion	30,000	30,000
Non-current portion	491,199	485,967
	521,199	**515,967**

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, 2022, the total value of the interest that may be repayable in shares was $34,849 (December 31, 2021 – $20,000).

Total interest expense on mortgages of $12,732 was recorded for the three months ended March 31, 2022 (2021 – $12,337).

(e) Deferred compensation

	March 31, 2022 $	December 31, 2021 $
Deferred compensation with interest at 6% per annum, calculated monthly in arrears,	285,632	430,000
Transfer to share capital on settlement of debt, May,24 ,2021	-	(162,500)
Accrued interest	3,564	18,132
Balance, end of period	**289,196**	**285,632**

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.

7. Loans and borrowings – continued

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 $3,564 was recorded for the three months ended March 31, 2022.

(f) Finance costs

Finance costs for the three months ended March 31, 2022 and 2021 are as follows:

Three months ended March 31,	**2022** **$**	**2021** $
Interest on lease liabilities (note 6)	2,866	3,324
Interest on term loan (note 7b)	24,146	24,647
Interest on promissory note payable	-	15,000
Interest on convertible loan payable (note 7d)	12,732	12,337
Interest on deferred compensation (note 7e)	3,564	6,000
Other Interest expense	14	12
Accretion expense on CEBA loan payable (note 7a)	2,192	2,177
Accretion expense on convertible loan payable	-	1,090
	45,514	**64,587**

8. Share capital and reserves

(a) Share Capital

Authorized – Unlimited number of shares Issued and outstanding:	**Number of shares** #	**Amount** $
Balance, January 1, 2021	**247,172,850**	**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)	5,267,802	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 and March 31, 2022	**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

8. 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.

8. Share capital and reserves – continued

The following options to purchase shares were outstanding on March 31, 2022 and December 31, 2021:

	March 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	13,862,150	0.11	11,210,442	0.08
Granted	-		4,270,000	0.22
Exercised	-		(1,618,292)	0.08
Outstanding, end of period	**13,862,150**	**0.11**	**13,862,150**	**0.11**
Exercisable, end of period	**5,760,967**	**0.09**	**5,760,967**	**0.09**

During the three months ended March 31, 2022, no stock options were granted, exercised or expired.

During the year ended December 31, 2021, 1,618,292 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 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 three months ended March 31, 2022 was $125,585 (2021 – $35,849).

A summary of stock options outstanding as at March 31, 2022 is set out below:

	Outstanding stock options		
As at March 31, 2022 **Range of exercise prices**	**Number of options**	**Remaining contractual life**	**Weighted average exercise price**
$	#	[years]	$
$0.05	3,773,347	3.25	0.05
$0.06	2,773,386	2.48	0.06
$0.10	2,382,917	1.01	0.10
$0.18	662,500	2.10	0.18
$0.19	3,870,000	4.27	0.19
$0.26	400,000	4.17	0.26
	13,862,150	**2.97**	**0.11**

8. 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 March 31, 2022, are as follows:

	Number of warrants	Weighted average remaining contractual life	Weighted average exercise price
	#	[years]	$
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**	**1.24**	**0.18**
Exercised	-	-	-
Balance, March 31, 2022	**26,216,346**	**1.00**	**0.18**

A summary of warrants outstanding and exercisable as at March 31, 2022, is set out below:

	Outstanding and exercisable warrants		
As at March 31, 2022 **Range of exercise prices**	**Number of warrants**	**Weighted average remaining contractual life**	**Weighted average exercise price**
$	#	[years]	$
0.11	3,712,500	0.08	0.11
0.18-0.20	22,503,846	1.15	0.19
	26,216,346	**1.00**	**0.18**

8. Share capital and reserves – continued

(d) Contributed surplus

	March 31, 2022 $	December 31, 2021 $
Balance, beginning of year	**7,019,123**	**6,760,615**
Stock-based compensation	125,585	343,342
Stock options exercised	-	(73,688)
Warrants exercised	-	(11,146)
Balance, end of period	**7,144,708**	7,019,123

(e) Per share amounts

For the three months ended March 31, 2022, the weighted average number of shares outstanding was 258,418,943 (2021 – 247,571,706).

As at March 31, 2022, the Company had 13,862,150 stock options (December 31, 2021 – 13,862,150) and 26,216,346 warrants (December 31, 2021 – 26,216,346) outstanding.

9. 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 three months ended March 31, 2022, is as follows:

	March 31, 2022 $	December 31, 2021 $
Balance, beginning of year	**958,552**	**-**
Issuance of shares in Ellsin Environmental Ltd.	**-**	1,000,000
Share of net loss for the period	(7,758)	(41,448)
Balance, end of period	**950,794**	**958,552**

10. Trade and other receivables

Trade and other receivables at March 31, 2022, includes $21,900 (2021 – $21,900) trade receivable, $13,397 (2021 – $56,232) related to CEWS, and $5,371 (2021 – $24,705) 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 not recognized any amount of CEWS during the three months ended March 31, 2022 (2021 – $24,874) 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.

(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 (note 7) during the year ended December 31, 2021 on the fair value of CEBA Loan.

Notes to consolidated financial statements

For the three months ended March 31, 2022 and 2021
(Unaudited)

11. 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 three months ended March 31, 2022, and 2021:

Three months ended March 31, 2022	Technology development $	Plant operations $	Selling, marketing and administration $	Total $
Gross operating expense	103,502	22,372	235,904	361,778
Government grant income	-	-	-	-
	103,502	**22,372**	**235,904**	**361,778**

Three months ended March 31, 2021	Technology development $	Plant operations $	Selling, marketing and administration $	Total $
Gross operating expense	77,338	71,095	135,798	284,231
Government grant income	(10,729)	(6,685)	(7,460)	(24,874)
	66,609	**64,410**	**128,338**	**259,357**

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.

12. Related party disclosures

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

During the three months ended March 31, 2022, 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, 2022, for interest on loans to a director $nil (2021 – $15,000).

The Company recognized an expense during the three months ended March 31, 2022, for shared-based compensation to directors in the amount of $36,325 (2021 – $9,047).

(b) Transactions with key management personnel

The Company recorded compensation expense during the three months ended March 31, 2022, in the amount of $62,050 (2021 – $80,350) and share-based compensation in the amount of $41,575 (2021 – $13,026) to key management personnel.

The Company recognized an expense of $3,564 (2021 – $6,000) during the three months ended March 31, 2022, for interest on deferred compensation to a key member of management who is also a director.

Notes to consolidated financial statements

For the three months ended March 31, 2022 and 2021
(Unaudited)

12. Related party disclosures – continued

Accounts payable as at March 31, 2022, includes $31,006 (December 31, 2021 – $12,772) related to compensation of a key member of management who is also a director.

13. 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 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 [*note 8a*], private placement and in the April 13, 2022 private placement [*note 16*].

14. 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, 100% of the revenue is attributable to the United States region and 100% of the revenue is attributable to one customer, whereas the Company had no revenue during the three months ended March 31, 2022.

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

15. 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.

On March 29, 2022, the Company received $386,821 of the private placement, which were held as other shareholder advances for shares to be purchased until the resulting shares were issued in April 2022.

Deferred compensation

On April 27, 2022 the Company signed an agreement to postpone the maturity date on the deferred compensation payable [*note 7e*] from January 15, 2022 to January 15, 2024.

Warrants expiry

On April 30 and May 4, 2022 a total of 8,462,500 warrants expired unexercised.