Interim Condensed Consolidated Financial Statements

Environmental Waste International Inc.

For the nine months ended September 30, 2022 and 2021

(Unaudited)

Responsibility for Interim Condensed Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Environmental Waste International Inc. for the nine months ended September 30, 2022 and 2021 have been prepared by Management in accordance with International Financial Accounting Standards, IAS 34 - Interim Financial Reporting.

Auditor Involvement

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

Whitby, Ontario

November 22, 2022

Environmental Waste International Inc.

Interim condensed consolidated statements of financial position

[Expressed in Canadian dollars]
[Unaudited]

As at	Note	September 30, 2022 $	December 31, 2021 $
Assets			
Current			
Cash		19,970	297,235
Trade and other receivables		3,900	102,837
Government remittances recoverable		34,996	21,026
Prepaid expenses and sundry		114,307	95,104
Total current assets		173,173	516,202
Property and equipment, net	5	2,350,948	2,031,438
Right-of-use asset	6	95,402	117,913
Total Assets		**2,619,523**	**2,665,553**
Liabilities and shareholders' deficiency			
Current			
Accounts payable and accrued liabilities		653,675	512,705
Current portion of lease liability	6	39,428	38,069
Current portion of term loan payable	7b	2,435,808	2,362,627
Current portion of mortgage payable	7d	30,000	30,000
Derivative liability	7c	—	90,214
Deferred compensation	7e	—	285,632
Total Current Liabilities		3,158,911	3,319,247
Lease liability	6	74,607	96,282
CEBA loans	7a	107,792	101,072
Promissory note payable	7f	360,303	—
Mortgage payable	7d	502,402	485,967
Deferred compensation	7e	296,324	—
Total Liabilities		4,500,339	4,002,568
Shareholders' deficiency			
Capital stock	8a	57,427,142	56,997,868
Contributed surplus	8d	7,771,506	7,019,123
Deficit		(68,013,399)	(66,312,558)
Shareholders' deficiency attributable to equity holders of the parent		(2,814,752)	(2,295,567)
Non-controlling interest	9	933,936	958,552
Total shareholders' deficiency		(1,880,816)	(1,337,015)
Total liabilities and shareholders' deficiency		**2,619,523**	**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]

	Note	Three months ended September 30, 2022 $	Three months ended September 30, 2021 $	Nine months ended September 30, 2022 $	Nine months ended September 30, 2021 $
Revenue		—	22,518	—	82,489
Expenses					
Technology development	10	117,071	120,802	325,578	605,245
Plant operations	10	18,572	125,633	77,951	340,295
Selling, marketing and administration	10	360,034	222,224	818,874	585,706
Stock-based compensation	8b	100,740	130,691	360,865	203,080
Depreciation of property plant and equipment	5	21,162	1,934	63,466	22,283
Amortization of right-of-use asset	6	7,586	7,586	22,511	22,502
		625,165	608,870	1,669,245	1,779,111
Operating loss		**(625,165)**	**(586,352)**	**(1,669,245)**	**(1,696,622)**
Other income (expenses)					
Gain on recognition of interest-free loans	7a	—	—	—	6,254
Finance costs	7g	(50,682)	(44,450)	(142,616)	(166,222)
Foreign exchange gain (loss)		(4,470)	2,567	(3,810)	(25,441)
Gain on settlement of debt		—	249,848	—	249,848
Change in fair value of derivative	7c	—	322,362	90,214	572,041
		(55,152)	530,327	(56,212)	636,481
Net loss and comprehensive loss for the period		**(680,317)**	**(56,025)**	**(1,725,457)**	**(1,060,142)**
Net loss and comprehensive loss attributable to non-controlling interest	9	(7,579)	(13,846)	(24,616)	(29,907)
Net loss attributable to equity holders of the parent		**(672,738)**	**(42,179)**	**(1,700,841)**	**(1,030,235)**
Net loss per share – basic and diluted		**(0.003)**	**(0.000)**	**(0.007)**	**(0.004)**
Weighted average number of shares outstanding basic and diluted		**266,668,943**	**258,046,181**	**263,586,525**	**252,459,652**

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]

Nine months ended September 30	Note	**2022**	**2021**
		$	$
Operating activities			
Net loss for the period		**(1,725,457)**	**(1,060,142)**
Stock-based compensation	8b	360,865	203,080
Depreciation of property and equipment	5	63,466	22,283
Amortization of right-of-use asset	6	22,511	22,502
Finance costs	7g	135,896	164,041
Gain on recognition of interest-free loan		—	(6,254)
Accretion expense	7a	6,720	2,181
Gain on settlement of debt		—	(249,848)
Loss on modification of term loan	7b	—	35,563
Change in fair value of derivative	7c	(90,214)	(572,041)
		(1,226,213)	**(1,438,635)**
Changes in non-cash working capital balances			
Trade and other receivables		97,024	(5,017)
Government remittances recoverable		(13,970)	(161,954)
Prepaid expenses and sundry		(19,203)	(183,817)
Accounts payable and accrued liabilities		140,969	18,071
Contract liability		—	(33,515)
Cash used in operating activities		**(1,021,393)**	**(1,804,867)**
Investing activities			
Purchase of property and equipment	5	(6,435)	(15,120)
Construction in progress	5	(376,541)	(548,519)
Cash used in investing activities		**(382,976)**	**(563,639)**
Financing activities			
Proceeds from CEBA loans payable	7a	—	40,000
Proceeds from private placement	8a	825,000	1,233,000
Proceeds from issuance of promissory notes	7f	357,365	—
Proceeds from exercise of stock options			151,930
Proceeds from issuance of shares in Ellsin		—	1,000,000
Proceeds from exercise of warrants		—	50,000
Share and warrant issuance costs	8a	(4,209)	(17,363)
Repayments of mortgage payable	7d	(22,500)	(23,724)
Repayments of lease obligations	6	(28,552)	(18,128)
Cash provided by financing activities		**1,127,104**	**2,415,715**
Net increase (decrease) in cash during the period		(277,265)	47,209
Cash, beginning of period		297,235	619,721
Cash, end of period		**19,970**	**666,930**

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

Interim condensed consolidated statements of changes in shareholders' deficiency

[Expressed in Canadian dollars]

	Note	Capital Stock #	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)**
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	1,618,291	225,618	(73,687)	—	151,931	—	151,931
Stock-based compensation	8b	—	—	203,080	—	203,080	—	203,080
Warrants exercised	8c	250,000	61,146	(11,146)	—	50,000	—	50,000
Issuance of shares in Ellsin Environmental Ltd.	9	—	—	—	—	—	1,000,000	1,000,000
Share issue costs	8a	—	(17,363)	—	—	(17,363)		(17,363)
Net loss and comprehensive loss for the year		—	—	—	(1,030,235)	(1,030,235)	(29,907)	(1,060,142)
Balance, September 30, 2021		**258,418,943**	**56,997,868**	**6,878,862**	**(66,069,320)**	**(2,192,590)**	**970,093**	**(1,222,497)**
Stock-based compensation	8b	—	—	140,261	—	140,261	—	140,261
Net loss and comprehensive loss for the year		—	—	—	(243,238)	(243,238)	(11,541)	(254,779)
Balance, December 31, 2021		**258,418,943**	**56,997,868**	**7,019,123**	**(66,312,558)**	**(2,295,567)**	**958,552**	**(1,337,015)**
Issuance of shares pursuant to private placement	8a	8,250,000	431,475	—	—	431,475	—	431,475
Issuance of warrants pursuant to private placement	8a, 8d	—	—	393,525	—	393,525	—	393,525
Stock-based compensation	8b	—	—	360,865	—	360,865	—	360,865
Share and warrant issue costs	8a, 8d	—	(2,201)	(2,008)	—	(4,209)	—	(4,209)
Net loss and comprehensive loss for the period		—	—	—	(1,700,841)	(1,700,841)	(24,616)	(1,725,457)
Balance, September 30, 2022		**266,668,943**	**57,427,142**	**7,771,506**	**(68,013,399)**	**(2,814,752)**	**933,936**	**(1,880,816)**

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 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 unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis and arein 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 $1,725,457 during the nine months ended September 30, 2022 and, as at that date, had working capital deficiency for of $2,985,738 (December 31, 2021 – $2,803,045) and a cumulative deficit of $68,013,399 (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 deferred compensation, 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.

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%), Ellsin Environmental Ltd. (90% at each of September 30, 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, 2022. The Company has not earlier adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

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.

5. PROPOERTY AND EQUIPMENT

Property and equipment consist of the following:

	Computer Hardware	Gas engine	Fixtures	Office Equipment	Leasehold improvements	Land	Building	Construction in Progress	Total
	$	$	$	$	$	$	$	$	$
COST :									
As at December 31, 2020	36,725	719,169	71,060	38,566	9,185	68,261	984,994	-	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**	**17,195**	**68,261**	**984,994**	**1,095,029**	**3,038,110**
Additions	-	-	-	6,435	-	-	-	376,541	382,976
As at September 30, 2022	**43,836**	**719,169**	**71,060**	**45,001**	**17,195**	**68,261**	**984,994**	**1,471,570**	**3,421,086**
ACCUMULATED DEPRECIATION :									
As at December 31, 2020	36,092	477,812	47,370	30,842	153	-	328,685	-	920,954
Depreciation	1,499	47,854	4,734	2,207	3,172	-	26,252	-	85,718
As at December 31, 2021	**37,591**	**525,666**	**52,104**	**33,049**	**3,325**	**-**	**354,937**	**-**	**1,006,672**
Depreciation	1,406	35,959	3,553	1,067	2,579	-	18,902	-	63,465
As at September 30, 2022	**38,997**	**561,625**	**55,657**	**34,116**	**5,904**	**-**	**373,839**	**-**	**1,070,138**
NET BOOK VALUE :									
As at December 31, 2021	6,245	193,503	18,956	5,517	13,870	68,261	630,057	1,095,029	2,031,438
As at September 30, 2022	**4,839**	**157,544**	**15,403**	**10,885**	**11,291**	**68,261**	**611,155**	**1,471,570**	**2,350,948**

During 2021, the Company began upgrading its pilot plant in Sault Ste. Marie to a commercial production facility. All expenditures relating to this upgrade have been classified as construction in progress. No depreciation has been charged on these expenditures until the new plant is fully commissioned.

6. LEASE ASSET AND LIABILITY

The Company leases its head office premises in Whitby, Ontario over a five-year term.

Right-of-use asset :	**$**
As at December 31, 2020	**148,001**
Amortization	(30,088)
As at December 31, 2021	**117,913**
Amortization	(22,511)
As at September 30, 2022	**95,402**

Lease liability :	
As at December 31, 2020	**148,636**
Interest expense	12,907
Rent payments	(27,192)
As at December 31, 2021	**134,351**
Interest expense	8,236
Rent payments	(28,552)
As at September 30, 2022	**114,035**

Current portion	39,428
Non-current portion	74,607
As at September 30, 2022	**114,035**

The following table presents the contractual undiscounted cash flows for the lease obligation as at September 30, 2022:

	$
Year 1	39,580
Year 2	41,392
Year 3	43,205
Year 4	7,251
Total undiscounted lease obligation	**131,428**

7. LOANS AND BORROWINGS

(a) CEBA loans payable consists of the following:

Particulars	September 30 2022 $	December 31 2021 $
Loans payable at fair value at inception	**97,047**	**97,047**
Gain on deferral to 2023	(8,143)	(8,143)
Accumulated accretion expense	18,889	12,168
Balance, end of period	**107,792**	**101,072**

In 2020 the Company received proceeds totaling $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. In 2021, each entity received additional $20,000 proceeds,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 each, totaling $80,000 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.

During the nine months ended September 30, 2022, the Company recorded $6,720 of accretion expense associated with the CEBA loans (2021 – $6,674).

(b) Term loan payable consists of the following:

	September 30, 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.	2,291,501	2,230,344
Add:: Gain on modification of loan	-	35,563
	2,291,501	2,194,781
Interest expense	73,181	94,540
Accretion expense	-	2,180
Balance, end of period	**2,364,682**	**2,291,501**

On June 1, 2021, Ellsin and NOHFC signed a fifth amendment to the loan agreement to conditionally amend the repayment terms of the loanas 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 payments 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

7. LOANS AND BORROWINGS - CONTINUED

- NOHFC will obtain a corporate guarantee and postponement of claim, supported by a general security agreement from the new majority shareholder of Ellsin (note 9).

As at September 30, 2022, the conditions associated with the fifth amendment were not satisfied and the Company is technically in breach of the terms of their agreement with NOHFC.. The two parties continue to have discussions to renegotiate the agreement to defer current payment terms.

The amount of interest accrued as at September 30, 2022, was $435,808 (December 31, 2021 – $362,627). During the nine months ended September 30, 2022, the Company recorded interest expense of $73,181 (2021 – $70,637) and accretion expense of $nil (2021 – $2,180).

(c) Derivative liability consists of the following:

	$
As at December 31, 2020	**757,295**
Gain on revaluation of derivative	(667,081)
As at December 31, 2021	**90,214**
Gain on revaluation of derivative	(90,214)
As at September 30, 2022	**-**

In 2017 pursuant to five year debt agreement, the Company issued 3,712,500 common share purchase warrants that entitled the holder to receive one common share per warrant at a price of $0.11 for a term of five years expiring on May 4, 2022. These warrants were valued and accounted for as a derivative liability.

On May 4, 2022, all of the 3,712,500 warrants expired and the value of the derivative liability was reduced to $nil, resulting in a gain on the change in the fair value of derivative of $90,214 on that date which is included in the nine months ended September 30, 2022 (2021 – gain $572,041).

(d) Mortgage payable consists of the following:

	September 30, 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	41,603	27,665
	541,603	**527,665**
Debt issue costs	(16,687)	(16,687)
Cumulative amortization of debt issue costs	7,486	4,989
Balance, end of period	**532,402**	**515,967**
Current Portion	30,000	30,000
Non Current Portion	502,402	485,967
Balance, end of period	**532,402**	**515,967**

7. LOANS AND BORROWINGS - CONTINUED

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 and 4% which is accrued and paid on maturity. The 4% accrued interest can be paid in cash or common shares of the Company at the Company's option. As at September 30, 2022, the total value of the interest that may be repayable in shares was $44,877 (December 31, 2021 – $20,000).

Total interest expense of $38,935 was recorded for the nine months ended September 30, 2022 (2021 - $37,711).

(e) Deferred compensation consists of the following:

	September 30, 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	10,692	18,132
Balance, end of period	**296,324**	**285,632**
Current portion	-	285,632
Non current portion	296,324	-
Balance, end of period	**296,324**	**285,632**

In 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.

In 2021, the Company entered into a debt conversion agreement to settle a portion of the deferred compensation liability.677,083 common shares were issued at a price of $0.24 per share upon conversion of $162,500 of debt.

Interest for the nine months ended September 30, 2022 was $10,692 (2021 – $14,568).

7. LOANS AND BORROWINGS - CONTINUED

(f) Promissory notes payable consists of the following:

	September 30, 2022 $	December 31, 2021 $
Promissory notes payable, with 6% interest per annum, principal and interest due upon maturity on September 30, 2024.	357,365	
Accrued interest	2,938	-
	360,303	**-**

Current portion	-	-
Non current portion	360,303	-
Balance, end of period	**360,303**	**-**

In July and September 2022, certain board members loaned the Company an aggregate of $357,365 (US$ 275,000) and promissory notes were issued. Total interest for the nine months ended September 30, 2022 was $2,938 (2021 – $nil)

(g) Finance costs

Finance costs for the nine months ended September 30, 2022 and 2021 are as follows:

Nine months ended September 30	**2022** **$**	**2021** **$**
Interest on lease liabilities (note 6)	8,236	9,833
Interest on term loan (note 7b)	73,181	70,637
Interest on promissory notes payable (note 7f)	2,938	-
Interest on mortgage payable (note 7d)	38,935	37,711
Interest on deferred compensation (note 7e)	10,692	14,568
Other Interest expense	1,914	2,928
Accretion expense on CEBA loan payable (note 7a)	6,720	6,674
Interest on promissory note converted to equity	-	23,871
	142,616	**166,222**

8. SHARE CAPITAL AND RESERVES

(a) Share Capital

Authorized – Unlimited number of shares Issued and outstanding:	Number of shares #	Amount $
Balance, December 31, 2020	**247,172,840**	**54,481,040**
Issuance of shares pursuant to private placement (1)	4,110,000	1,233,000
Issuance of shares pursuant to settlement of debt (2)	5,267,812	1,014,427
Warrant exercised (3)	250,000	50,000
Stock options exercised (4)	1,618,291	236,764
Share issue costs	-	(17,363)
Balance, December 31, 2021	**258,418,943**	**56,997,868**
Issuance of shares pursuant to private placement (5)	8,250,000	825,000
Issuance of warrants pursuant to private placement (5)	-	(393,525)
Share issue costs	-	(2,201)
Balance, September 30, 2022	**266,668,943**	**57,427,142**

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) On April 13, 2022, the Company closed a private placement and issued 8,250,000 units for gross proceeds of $825,000 less transaction cost of $4,209. Each unit included one common shares at a price of $0.10 and one warrant with an exercise price of $0.15 expiring on April 12, 2024. The fair value of these warrants of $393,525 was transferred to contributed surplus. Associated share issue costs of $2,201 attributable to share capital were adjusted against share capital from the combined share and warrant issue costs of $4,209.

8. SHARE CAPITAL AND RESERVES - CONTINUED

(b) Stock Options

The following options to purchase shares were outstanding on September 30, 2022 and December 31, 2021:

	September 30, 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	2,660,000	0.05	4,270,000	0.22
Expired	(865,000)	(0.10)	-	-
Exercised	-	-	(1,618,292)	0.08
Outstanding, end of period	**15,657,150**	**0.10**	**13,862,150**	**0.11**
Exercisable, end of period	**8,631,840**	**0.10**	**5,760,967**	**0.12**

During the nine months ended September 30, 2022, 2,660,000 (2021 – 4,270,000) stock options were issued to employees and consultants of the Company which vest over three years and expire in five years and 865,000 (2021 - nil) stock options expired.

The fair value of all options was estimated on the date of grant using the Black-Scholes option pricing model. This resulted in stock-based compensation expense of $360,865 during the nine months ended September 30, 2022 (2021 – $203,080).

A summary of stock options outstanding at September 30, 2022 is set out below:

	Outstanding stock options		
As at September 30, 2022 Range of exercise prices	**Number of options**	**Remaining contractual life**	**Weighted average exercise price**
$	#	[years]	$
$0.05	6,433,347	3.58	0.05
$0.06	2,773,386	1.98	0.06
$0.10	1,517,917	0.94	0.10
$0.18	662,500	1.60	0.18
$0.19	3,870,000	3.77	0.19
$0.26	400,000	3.67	0.26
	15,657,150	**3.00**	**0.10**

8. SHARE CAPITAL AND RESERVES - CONTINUED

(c) Warrants

A summary of the status of the Company's warrants at September 30, 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**	**2.00**	**0.18**
Granted	8,250,000	1.54	0.15
Expired	(20,062,500)	-	0.18
Balance, September 30, 2022	**14,403,846**	**2.06**	**0.16**

Pursuant to a private placement financing on April 13, 2022 (note 8a), the Company issued 8,250,000 common share purchase warrants that entitle the holder to receive one common share at a price of $0.15 for a period of two years. The fair value of these warrants of $393,525 has been transferred from share capital to contributed surplus, less $2,008 of associated warrant issue costs attributable from the combined share and warrants issue costs of $4,209.

On April 30, 2022, 4,750,000 warrants with an exercise price of $0.20 per warrant expired. On May 4, 2022, 3,712,500 warrants with an exercise price of $0.11 per warrant expired (*note 7c*). On September 17, 2022, 11,600,000 warrants with an exercise price of $0.20 per warrant expired.

A summary of warrants outstanding and exercisable as at September 30, 2022, is set out below:

		Outstanding and exercisable warrants		
As at September 30, 2022 of exercise prices	**Range**	**Number of warrants**	**Weighted average remaining contractual life**	**Weighted average exercise price**
$		#	[years]	$
0.15		8,250,000	1.54	0.15
0.18		6,153,846	2.75	0.18
		14,403,846	**2.06**	**0.16**

(d) Contributed surplus

	September 30, 2022	December 31, 2021
	$	$
Balance, beginning of period	**7,019,123**	**6,760,615**
Stock-based compensation	360,865	343,342
Issuance of warrants	393,525	-
Stock options exercised	-	(73,688)
Warrants exercised	-	(11,146)
Warrant issue costs	(2,008)	-
Balance, end of period	**7,771,506**	**7,019,123**

8. SHARE CAPITAL AND RESERVES - CONTINUED

(e) Per share amounts

For the nine months ended September 30, 2022, the weighted average number of shares outstanding was 263,586,525 (2021 – 252,459,652).

As at September 30, 2022, the Company had 15,657,150 stock options (December 31, 2021 – 13,862,150) and 14,403,846 warrants (December 31, 2021 – 26,216,346) outstanding.

9. NON-CONTROLLING INTEREST

On March 22, 2021, the Company signed an agreement with Torreco Inc. ("Torreco") for an investment of $7,000,000 in Ellsin, its subsidiary, which owns the pilot plant in Sault Ste. Marie. Based on a $7,000,000 investment, Torreco would own 70% of Ellsin. To date, Torreco has funded $1,000,000, with $400,000 advanced on March 22, 2021 and $600,000 on April 7, 2021, and currently owns 10% of Ellsin. Torreco is currently in breach of this agreement by not having advanced the remaining funds. Management has continued to move forward with the plant upgrade, and is actively seeking alternate financing arrangements that could result in substantial dilution to Torreco's ownership of Ellsin.

Non-controlling interest activity for the nine months ended September 30, 2022 is as follows:

	September 30, 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	(24,616)	(41,448)
Balance, end of period	**933,936**	**958,552**

10. 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 for the nine months ended September 30, 2022 and 2021 as follows:

Nine months ended September 30, 2022	**Technology development**	**Plant operations**	**Selling, marketing and administration**	**Total**
	$	**$**	**$**	**$**
Gross operating expenses	325,578	77,951	818,874	1,222,403
Government grant income	-	-	-	-
	325,578	**77,951**	**818,874**	**1,222,403**

10. OPERATING EXPENSES BY FUNCTION - CONTINUED

Nine months ended September 30, 2021	**Technology development**	**Plant operations**	**Selling, marketing and administration**	**Total**
	$	**$**	**$**	**$**
Gross operating expenses	636,531	434,708	617,242	1,688,481
Government grant income	(31,286)	(94,413)	(31,536)	(157,235)
	605,245	**340,295**	**585,706**	**1,531,246**

Government grant income consists of a total of $87,306 CEWS and $69,929 CERS programs provided by the government of Canada as financial assistance during the COVID-19 pandemic. 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.

11. RELATED PARTY DISCLOSURES

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

During the nine months ended September 30, 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:

In July and September 2022, the Company issued promissory notes totaling $357,365 (US$ 275,000) to certain directors of the Company (note 7f). In October, 2022 additional promissory notes were issued totaling $136,802 ($100,000) (note 15).

The Company recognized an expense during the nine months ended September 30, 2022, for interest on loans to a director $nil (2021 – $23,870).

The Company recognized an expense during the nine months ended September 30, 2022, for shared-based compensation to directors in the amount of $99,015 (2021 – $54,282).

(b) Transactions with key management personnel

The Company recorded compensation expense during the nine months ended September 30, 2022, in the amount of $186,150 (2021 – $242,050) and share-based compensation in the amount of $123,647 (2021 – $68,534) to key management personnel.

The Company recognized an expense of $10,692 (2021 – $14,568) during the nine months ended September 30, 2022, for interest on deferred compensation to a key member of management who is also a director.

Accounts payable as at September 30, 2022, includes $19,765 (December 31, 2021 – $12,772) related to compensation of a key member of management who is also a director.

12. 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 it signed an agreement with a European development and investment company, WindSpace through its subsidiary Elysium Nordic (Elysium) to enter into a partnership to develop waste tire recycling plants across Europe. That original agreement has now expired, and Elysium's rights are now limited to financing and building a TR100 in Nyborg Denmark with plans to build a second TR100 on the same site.

WindSpace and/or some of its principals have participated in the June 30, 2020, April 22, 2021 and the April 13, 2022 private placements.

13. SEGMENT INFORMATION

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

During the nine months ended September 30, 2021, 80% of revenue is attributable to the United States, and 20% from Canada, and 80% of revenue is attributable to one customer. All of the Company's assets are located in Canada.

14. COMPARATIVE FINANCIAL STATEMENTS

Certain figures in the comparative financial statements have been reclassified to conform to the current year presentation.

15. SUBSEQUENT EVENT

Financing

In October 2022, the Company received proceeds of $136,802 (US$100,000) from the issuance of additional promissory notes to certain Directors of the Company.