

## **Financial Statements**



Enviroleach

**Six Months ended June 30, 2017**

(Expressed in Canadian dollars)

(Unaudited)

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**ENVIROLEACH TECHNOLOGIES INC.**  
**STATEMENT OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	Notes	June 30, 2017	December 31, 2016
<b>ASSETS</b>			
Cash		\$ 1,635,312	\$ 405,968
Receivables	4	89,388	5,769
Prepaid expenses and deposits		30,656	22,891
<b>Total current assets</b>		<b>1,755,356</b>	<b>434,628</b>
<b>Non-current assets</b>			
Property and equipment	8	425,303	-
Technology	5 & 9	9,623,413	1,529,909
<b>Total non-current assets</b>		<b>10,048,716</b>	<b>1,529,909</b>
<b>TOTAL ASSETS</b>		<b>\$ 11,804,072</b>	<b>\$ 1,964,537</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 45,854	\$ 5,000
Due to related party	6	103,728	121,152
Promissory notes payable	5 & 10	600,000	302,107
Current portion of advance royalty payable	5 & 11	65,394	67,662
<b>Total current liabilities</b>		<b>814,976</b>	<b>495,921</b>
<b>Non-Current liabilities</b>			
Promissory notes payable	5 & 10	1,000,000	-
Advance royalty payable	5 & 11	991,808	1,060,031
<b>Total non-current liabilities</b>		<b>1,991,808</b>	<b>1,060,031</b>
<b>TOTAL LIABILITIES</b>		<b>2,843,527</b>	<b>1,555,952</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	10,495,886	450,000
Reserves	13	936,119	-
Obligation to issue shares	5	-	100,000
Deficit		(2,471,460)	(141,415)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,960,545</b>	<b>408,585</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 11,804,072</b>	<b>\$ 1,964,537</b>

Nature and continuance of operations (Note 1)

On behalf of the Board:

\_\_\_\_\_  
“Duane Nelson”

\_\_\_\_\_  
“Greg Pendura”

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

**ENVIROLEACH TECHNOLOGIES INC.**  
**STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Notes	Three Months ended June 30, 2017	Six Months ended June 30, 2017
<b>Expenses</b>			
Consulting fees		\$ 8,750	\$ 16,250
Interest and financing fees	11	3,473	6,929
Lab operating costs		81,764	190,760
Management and employee costs	14	149,140	232,956
Marketing and promotional costs		10,802	25,277
Office and general		15,929	33,601
Public listing costs	14	141,131	378,417
Professional fees		33,253	44,613
Share-based payments	14	48,426	936,119
Travel		10,519	38,745
		503,288	1,903,667
<b>Loss before other items</b>		(503,288)	(1,903,667)
<b>Other items</b>			
Interest income		2,265	3,249
Discount for early payment	10	-	87,874
Amortization		(265,729)	(518,977)
Foreign exchange gain		11	1,476
<b>Loss and comprehensive loss for the period</b>		\$ (766,380)	\$ (2,330,045)
<b>Basic and diluted loss per common share</b>		\$ (0.02)	\$ (0.07)
<b>Weighted average number of common shares outstanding</b>		51,000,000	33,188,889

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

Note – there are no comparatives to the same period the previous year as the Company had no operations in that period.

**ENVIROLEACH TECHNOLOGIES INC.**

## STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian dollars - Unaudited)

	Share Capital					
	Number of Shares	Amount	Reserves	Obligation to Issue shares	Deficit	Total
<b>Shares issued at incorporation, October 21, 2016</b>	1	\$ 1	\$ -	\$ -	\$ -	1
Shares issued at \$0.05	9,000,000	450,000	-	-	-	450,000
Initial share cancelled	(1)	(1)	-	-	-	(1)
Technology rights acquisition (note 5)	-	-	-	100,000	-	100,000
Comprehensive loss for the period	-	-	-	-	(141,415)	(141,415)
<b>Balance at December 31, 2016</b>	9,000,000	\$ 450,000	\$ -	\$ 100,000	\$ (141,415)	\$ 408,585
Shares issued at \$0.25	12,000,000	3,000,000	-	-	-	3,000,000
Shares issuing costs	-	(54,114)	-	-	-	(54,114)
Share based compensation	-	-	936,119	-	-	936,119
Technology rights acquisition (note 5)	28,000,000	7,000,000	-	-	-	7,000,000
Technology rights acquisition (note 5)	2,000,000	100,000	-	(100,000)	-	-
Comprehensive loss for the period	-	-	-	-	(2,330,045)	(2,330,045)
<b>Balance at June 30, 2017</b>	51,000,000	\$ 10,495,886	\$ 936,119	\$ -	\$ (2,471,460)	\$ 8,960,545

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

**ENVIROLEACH TECHNOLOGIES INC.**

## STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars)

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	June 30, 2017
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>	
Loss for the period	\$ (2,330,045)
Items not affecting cash:	
Amortization	518,977
Discount for early payment	(87,874)
Share-based payments	936,119
Changes in non-cash working capital items:	
Accounts receivables	(83,619)
Prepaid expenses and deposits	(7,765)
Accounts payable and accrued liabilities	40,854
	<u>(1,013,353)</u>
<b>CASH FLOWS TO INVESTING ACTIVITIES</b>	
Purchase of equipment	(437,784)
Payments on technology rights	(247,981)
	<u>(685,765)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Advances from related party	(17,424)
Issuance of common shares	2,945,886
	<u>2,928,462</u>
<b>Change in cash for the period</b>	1,229,344
<b>Cash, beginning of the period</b>	405,968
<b>Cash, end of the period</b>	<u>\$ 1,635,312</u>

**Supplemental disclosure with respect to cash flows (Note 17)**

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

Note – there are no comparatives to the same period the previous year as the Company had no operations in that period.

# ENVIROLEACH TECHNOLOGIES INC.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

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### 1. Nature and continuance of operations

Enviroleach (the “Company”) was incorporated under the Province of Alberta Business Company Act on October 21, 2016 for the purpose of effecting a spin-out of the Leaching Technology Rights of a company with common management, Iberian Minerals Ltd. (“Iberian”). The Company will develop and market hydrometallurgy solutions to the mining and E-waste sectors. The Company shares are listed for trading on the Canadian Securities Exchange (CSE) where its common shares trade under the symbol “ETI”, the Company additionally trades in the United States on the OTCQB venture marketplace under the symbol “EVLLF” and on the Frankfurt Stock Exchange (FSE) under the symbol “7N2”.

The Company’s registered office is located at 1000, 250 2<sup>nd</sup> Street SW, Calgary, Alberta T2P 0C1 and its corporate head office is located at #114 8331 Eastlake Drive, Burnaby, BC V5A 4W2.

The Company has yet to produce revenues and has not yet proven that its product will be commercially viable.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

### 2. Significant accounting policies

#### *Basis of presentation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board effective as of June 30, 2017.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### *Significant accounting judgments, estimates and assumptions*

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Management must make significant judgments or assessments as to how financial assets and liabilities are categorized.

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

## **ENVIROLEACH TECHNOLOGIES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

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#### **2. Significant accounting policies (cont'd)**

##### ***Basis of presentation (cont'd)***

a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

b) The recoverability and measurement of deferred tax assets and liabilities

Tax interpretations, regulations, and legislation in the various jurisdictions operates are subject to change. The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

c) The inputs used in the Black Scholes valuation model (volatility; interest rate; expected life and dividend yield) and forfeiture rates in accounting for share based payment transactions.

Estimating the fair value of granted stock options, warrants issued for finders' fees and the warrant liability required determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The estimate of share based compensation also requires determining the most appropriate inputs to the valuation model including the dividend yield, and estimating the forfeiture rate for options with vesting conditions.

##### ***Cash and cash equivalents***

The Company considers all highly liquid instruments with a maturity of six months or less at the time of issuance to be cash equivalents. As at June 30, 2017, the Company had cash equivalents of \$15,000 (2016 - \$nil).

##### ***Foreign currency translation***

The Company's reporting currency and the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in loss for the period.

##### ***Technology***

Technology assets are the costs of acquiring rights to proprietary environmentally-friendly technologies for the concentration and extraction of valuable metals and minerals from mining and environmental waste/reclamation industries. The expected future economic benefits support the carrying value, which will be amortized over its estimated useful life, expected to be 10 years. In addition, the assets will be reviewed at least annually for impairment, which occurs if the discounted expected cash flows are less than the carrying value. See impairment of assets note below.



## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

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## 2. Significant accounting policies (cont'd)

### *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

### *Impairment of assets*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### *Financial assets*

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and equivalents and deposits are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At June 30, 2017, the Company has not classified any financial assets as available for sale.

## **ENVIROLEACH TECHNOLOGIES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

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#### **2. Significant accounting policies (cont'd)**

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

##### ***Financial liabilities***

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At June 30, 2017, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, due to related party, and notes payable are classified as other financial liabilities.

##### ***Related party transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

##### ***Share capital***

The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

##### ***Income taxes***

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## **ENVIROLEACH TECHNOLOGIES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

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#### **2. Significant accounting policies (cont'd)**

##### ***Comprehensive income (loss)***

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

##### ***Loss per share***

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

#### 3. New standards, amendments and interpretations

The Company has not yet begun the process of assessing the impact of other new and amended standards that are effective for annual periods beginning on or after July 1, 2017, will have on its financial statements or whether to early adopt any of the new requirements. The Company does not expect the impact of such changes on the financial statements to be material, although additional disclosure may be required.

#### 4. Accounts receivables

	June 30, 2017	December 31, 2016
Sales and other taxes receivables	\$ 89,388	\$ 5,769

#### 5. Technology rights acquisition

In December 2016, the rights to the technology for the concentration and extraction of valuable metals and minerals was acquired for a total purchase price of 10,129,909 in two separate agreements. to acquire the rights to technologies.

The first agreement was signed on December 13, 2016 in a transaction with Mineworx Technologies Ltd. ("Mineworx"), Mohave County Mining LLP ("Mohave"), and Steve Scott ("Scott"). Under this agreement, the Company is required to make payments to Mohave and Scott in order to affect the transfer of rights as required by an earlier agreement between them and Mineworx. The total payments required to be made to Mohave and Scott are as follows:

2,000,000 Enviroleach shares	\$ 100,000 (a)
Promissory note payable	\$ 328,000 (b)
Advance royalty payable	\$1,101,909 (c)
Total acquisition price	\$1,529,909

(a) Shares were issued in March 2017

(b) The balance represents \$250,000 US.

(c) The balance represents the amortized cost of a non-interest bearing note of \$1,000,000 US. The discount for interest is based on an annual interest rate of 5.0%, compounded monthly and a term of 39 months, based on projected cash flows.

The advance royalty payable is based on a payment of 10% of the "Net Profit Available for Distribution" paid quarterly to a maximum of 1,000,000 USD, with a minimum monthly payment of 5,000 USD. The amount is payable irrespective of whether profits are realized.

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

#### 5. Technology rights acquisition (cont'd)

The full rights to the technology were acquired for another \$8,600,000 in a separate agreement with Mineworx, signed December 19, 2016. The price is to be paid as follows:

- a) The issue of 28,000,000 common shares valued at \$7,000,000 or \$0.25 per share, and
- b) Promissory note of \$1,600,000. The note, under which \$600,000 is to be repaid within six months and the balance of \$1,000,000 within two years. The note bears interest of 5.0% per annum, compounded monthly payable if the repayments are missed.

This transaction was approved by the Mineworx shareholders on March 14, 2017 and the Court of Queens Bench on March 15, 2017. The transaction was finalized on March 21, 2017.

#### 6. Due to related party

\$103,728 (2016 - \$121,152) due to related party represent advances owing to Mineworx that are unsecured, non-interest bearing and without specified repayment terms.

#### 7. Accounts payable and accrued liabilities

	June 30, 2016	December 31, 2016
Accounts payables	\$ 38,354	\$ -
Accrued liabilities	7,500	5,000
	<u>\$ 45,854</u>	<u>\$ 5,000</u>

#### 8. Property and equipment

The Company uses the straight-line method of depreciation at the following rates: Equipment – 3 – 5 years; Office furniture – 3 – 5 years; Computer hardware – 3 years.

	Equipment	Office Furniture	Computer Hardware	Total
<b>Costs</b>				
December 31, 2016 Balance	-	-	-	-
Additions	415,729	11,758	10,297	437,784
Disposals	-	-	-	-
June 30, 2017 Balance	<u>415,729</u>	<u>11,758</u>	<u>10,297</u>	<u>437,784</u>
<b>Depreciation</b>				
December 31, 2016 Balance	-	-	-	-
Current	11,427	653	401	12,481
Disposals	-	-	-	-
June 30, 2017 Balance	<u>11,427</u>	<u>653</u>	<u>401</u>	<u>12,481</u>
<b>Net Book Value</b>	<u>404,302</u>	<u>11,105</u>	<u>9,896</u>	<u>425,303</u>

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

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#### 9. Technology

The technology costs represent the cost of the intangible assets acquired in the technology rights acquisition. The asset is amortized over its expected useful life of 10 years, which has expected cash flow accruing to the Company from the business of operating the mineral extraction equipment.

	<b>Technology</b>
<b>Costs</b>	<u>\$</u>
December 31, 2016	
Balance	1,529,909
Additions	<u>8,600,000</u>
Closing Balance	<u>10,129,909</u>
<b>Amortization</b>	
Opening Balance	-
Current	<u>506,496</u>
Closing Balance	<u>506,496</u>
<b>Net Book Value</b>	<u><u>9,623,413</u></u>

#### 10. Promissory notes payable

A promissory note payable was incurred in the acquisition of technology from Mohave and Scott and is described in Note 5. The note is non-interest bearing, unsecured and due prior to June 1, 2017.

The promissory note is to be paid as follows:

- a) \$25,000 US at signing – December 13, 2016
- b) \$25,000 US by January 30, 2017
- c) \$200,000 US by June 30, 2017

The \$25,000 due at signing was paid, the second \$25,000 US payment was made in January 2017, and the final payment was agreed to be paid in March 2017 for a discounted amount of \$110,000 US. The note is now completely repaid.

A promissory note payable was incurred in the acquisition of technology from Iberian Minerals Ltd. and is described in Note 5. The note, under which \$600,000 is to be repaid within six months and the balance of \$1,000,000 within two years. The note bears interest of 5.0% per annum, compounded monthly payable if the repayments are missed.

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

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#### 11. Advance royalty payable

The advance royalty payable was incurred in the acquisition of technology from Mohave and Scott and is described in Note 5. The debt is non-interest bearing, unsecured and due on a minimum basis as follows:

Note payable of \$1,000,000 US at an amortized value of \$839,870 US, stated in CDN\$	\$ 1,089,899
Payments made of \$25,200 US, stated in CDN\$	32,697
<u>Current portion – 12 payments at an amortized value of \$4,200 US</u>	<u>65,394</u>
<u>Long term portion</u>	<u>\$ 991,808</u>

Payment could be accelerated should the Company generate net profits available for distribution, a calculation that takes into account management fees, depreciation, amortization, taxes and reserves.

The difference between the minimum monthly royalty payment of \$5,000 USD and the amortized amount is expensed to interest, \$6,435 was expensed in 2017 (\$nil – 2016).

#### 12. Share Capital

##### *Authorized share capital*

Unlimited number of common shares without par value.

##### *Issued share capital*

There are 51,000,000 shares issued and outstanding as at June 30, 2017. The transactions giving rise to these shares during the three months ending June 30, 2017, are as follows:

- On March 1, 2017 – 2,000,000 shares issued to fulfill the obligation in the technology rights transfer agreement at a deemed price of \$0.05
- On March 15, 2017 – 12,000,000 shares were issued as part of a private placement at a price of \$0.25 per share.
- On March 21, 2017 – 28,000,000 shares were issued as part of the technology rights acquisition at a deemed price of \$0.25 per share

The private placement consisted of a unit. Each Unit consisted of one common share of Enviroleach and one common share purchase warrant. Each warrant entitled the holder thereof to purchase one common share in the share capital of the Company (a "Warrant Share") at an exercise price of \$0.50 per Warrant Share up to a period of two years following the date of closing.

##### *Warrants*

##### *Finders' Options*

Each Option entitles the purchaser to purchase a UNIT of Enviroleach at a price of \$0.25 per Unit. Each unit shall be comprised of one (1) common share in the share capital of the Issuer (a "Share") and one (1) non-transferable share purchase warrant (a "Finder's Warrant"). Each Finder's Warrant will entitle the Holder thereof to purchase one (1) common share (the "Warrant Shares") in the share capital of the Corporation at an exercise price of \$0.50 per Warrant Share until 4:30 pm on March 13, 2019.

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Three Months ending June 30, 2016

#### 12. Share capital (cont'd)

The warrants transactions and number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance outstanding, December 31, 2016	-	\$ -	
Granted on private placement	12,000,000	0.50	March 21, 2019
Finders' options	206,000	0.25	March 13, 2019
Finders' warrants	206,000	0.50	March 13, 2019
<b>Balance outstanding, June 30, 2017</b>	<b>12,412,000</b>	<b>\$ 0.50</b>	

#### 13. Share based Payments

The Company follows the policies of the Canadian Securities Exchange, under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's common shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years. The vesting period for all options is at the discretion of the board of directors.

On March 25, 2017, the Company granted 4,800,000 stock options to directors, officers, employees and various consultants of the Company. The options are at an exercise price of \$0.25 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

On June 30, 2017, the Company granted 100,000 stock options to a director of the Company. The options are at an exercise price of \$0.50 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

The total options outstanding and exercisable at June 30, 2017 are 4,900,000 (4,800,000 expire March 25, 2022 and 100,000 expire June 30, 2022).

##### Reserves

The reserves record items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

The total share-based payments recognized during the six months ended June 30, 2017, under the fair value method was \$936,119 (2016 - \$nil).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended June 30, 2017:



## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE FINANCIAL STATEMENTS

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Risk-free interest rate	0.49%
Expected life of options	5 years
Annualized volatility	100.00%
Dividend rate	0.00%

#### 14. Related party transactions

The Company considers officers and members of the Board of Directors as related parties. The Company's directors received 12,916 to perform their Board of Directors duties.

Key Management costs for the period ended June 30, 2017 was \$165,115 (2016 - \$nil).

The Management Share Based Compensation for the three months ending June 30, 2017 was \$425,305 (2016 - \$nil) and \$307,407 (2016 - \$nil) relating to Directors.

##### *Related party balances*

The amounts due to officers and directors of the Company are as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Included in accounts payables and accrued liabilities <sup>(i)</sup>	\$ 7,965	\$ -
	\$ 7,965	\$ -

(i) These amounts are for unpaid management fees and expenses. They are unsecured, non-interest bearing and have no fixed terms of repayment.

#### 15. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to pursue the Company's objectives. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital, the Company includes its cash balances and components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE FINANCIAL STATEMENTS

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#### 16. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is classified as Level 1.

As at June 30, 2017, the carrying values of cash, receivables, accounts payable and accrued liabilities and promissory note payable approximate their fair values due to their short terms to maturity. Advance royalty payable is carried at amortized cost.

#### Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### *Credit risk*

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. At December 31, 2016, management considers the Company's exposure to credit risk is minimal.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at June 30, 2017, the Company had a cash balance of \$1,635,312 to settle current liabilities of \$814,976.

So far, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

## **ENVIROLEACH TECHNOLOGIES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

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#### **16. Financial risk management (cont'd)**

##### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At December 31, 2016, the Company was not exposed to significant interest rate risk.

##### b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### **17. Supplemental disclosure with respect to cash flows**

During the six months ended June 30, 2017, the significant non-cash transactions were as follows:

- a) The Company issued a note payable of \$1,600,000 as the note was for the purchase of technology, the payment is included in amounts invested in technology. No amounts were paid during the period, so the agreement had no cash flow impact.
- b) The Company issued 2,000,000 common shares at a deemed value of \$100,000. These were for the purchase of technology; the payment is included in amounts invested in technology.
- c) The Company issued 28,000,000 common shares at a deemed value of \$7,000,000. These were for the purchase of technology; the payment is included in amounts invested in technology.

#### **18. Basic and diluted income (loss) per share**

The calculation of basic and diluted income per share for the six months ended June 30, 2017 was based on the loss attributable to common shareholders of \$2,330,045 (2016 – \$nil) and the weighted average number of common shares outstanding of 33,188,889 (2016 – nil).

Diluted loss per share did not include the effect of 4,900,000 stock options, 12,412,000 exercisable share purchase warrants as the effect would be anti-dilutive.

#### **19. Segmented information**

The Company has one reportable segment, being the development and marketing of hydrometallurgy solutions to the mining and E-waste sectors. The Company operates in the Canadian provinces of British Columbia and Alberta.

#### **20. Subsequent events**

On August 1, 2017, the Company issued 100,000 stock options to a consultant.