

**Consolidated Financial Statements**



**Year ended December 31, 2018**

(Expressed in Canadian dollars)

# K. R. MARGETSON LTD.

Tel: 604.398.5392  
Fax: 1.855.603.3228  
Email: keith@krmargetson.com

*Chartered Professional Accountant*

#210, 905 West Pender Street  
Vancouver BC V6C 1L6

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Enviroleach Technologies Inc.:

### Opinion

I have audited the accompanying consolidated financial statements of Enviroleach Technologies Inc., which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Enviroleach Technologies Inc. as at December 31, 2018 and 2017 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Basis for opinion*

I conducted my audit in accordance with Canadian generally accepted auditing standards ("GAAS"). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with the requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### *Material Uncertainty Related to Going Concern*

I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$5,843,205 during the year ended December 31, 2018, and as of that date, the Company's accumulated deficit was \$9,391,677. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicated that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

### *Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements.*

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

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

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

### *Auditors' Responsibility*

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

## **K. R. MARGETSON LTD.**

As part of an audit in accordance with Canadian GAAS I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

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

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



Chartered Professional Accountant  
Vancouver, Canada  
April 24, 2019

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

	Notes	December 31, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 3,917,244	\$ 981,712
Receivables	4	366,273	138,765
Inventory		1,688,191	1,382,407
Prepaid expenses and deposits		23,778	24,402
<b>Total current assets</b>		<b>5,995,486</b>	<b>2,527,286</b>
<b>Non-current assets</b>			
Equipment	8	4,947,606	1,469,381
Technology	5 & 9	6,311,928	7,100,918
<b>Total non-current assets</b>		<b>11,259,534</b>	<b>8,570,299</b>
<b>TOTAL ASSETS</b>		<b>\$ 17,255,020</b>	<b>\$ 11,097,585</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 136,520	\$ 352,040
Due to related party	6	244,257	429,193
Advances		2,455,560	2,267,219
Current portion of lease liability	15	169,155	35,758
Current portion of notes payable to related party	5	1,000,000	354,928
Current portion of advance royalty payable	5 & 11	68,745	63,217
<b>Total current liabilities</b>		<b>4,074,237</b>	<b>3,502,355</b>
<b>Non-Current liabilities</b>			
Lease liability	15	244,295	68,163
Note payable to related party	5 & 10	-	1,000,000
Advance royalty payable	5 & 11	891,768	883,275
<b>Total non-current liabilities</b>		<b>1,136,063</b>	<b>1,951,438</b>
<b>TOTAL LIABILITIES</b>		<b>5,210,300</b>	<b>5,453,793</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	18,724,590	8,616,120
Reserves	14	2,002,248	1,176,743
Accumulated deficit		(9,391,677)	(4,213,336)
		11,335,161	5,579,527
Equity attributed to minority interest	2	709,559	64,265
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>12,044,720</b>	<b>5,643,792</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 17,255,020</b>	<b>\$ 11,097,585</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.**  
**CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
<b>Expenses</b>			
Consulting fees		\$ 76,394	\$ 51,425
Interest and financing fees	10 & 11	80,755	74,161
Lab operating costs		397,903	328,392
Management and employee costs	6	1,508,533	648,592
Marketing and promotional costs		119,925	146,063
Office and general		207,336	80,550
Public listing costs	6	130,713	437,962
Professional fees		216,321	142,516
Project costs		1,237,316	346,827
Share-based payments	6	388,361	1,220,477
Travel		336,801	136,780
		4,700,358	3,613,745
<b>Loss before other items</b>		(4,700,358)	(3,613,745)
<b>Other items</b>			
Interest income		14,479	6,414
Other income		86,934	14,671
Discount for early payment		-	87,874
Amortization		(972,547)	(889,059)
Foreign exchange gain (loss)		(271,713)	73,314
<b>Loss and comprehensive loss for the year</b>		(5,843,205)	(4,320,531)
<b>Loss attributed to minority interests</b>		(664,864)	(248,610)
<b>Loss attributed to shareholders</b>		\$ (5,178,341)	\$ (4,071,921)
<b>Basic and diluted loss per common share</b>		\$ (0.09)	\$ (0.10)
<b>Weighted average number of common shares outstanding</b>		59,162,066	42,168,512

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

**ENVIROLEACH TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars)

Share Capital									
	Number of Shares	Amount	Reserves	Obligation to Issue shares	Accumulated Deficit	Minority Interest	Total		
<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	-	-	1,220,477	-	-	-	1,220,477		
Technology rights acquisition (Note 5)	28,000,000	4,760,000	-	-	-	-	4,760,000		
Technology rights acquisition (Note 5)	2,000,000	100,000	-	(100,000)	-	-	-		
Exercise of finders warrants at \$0.25	206,000	95,234	(43,734)	-	-	-	51,500		
Exercise of warrants at \$0.50	530,000	265,000	-	-	-	-	265,000		
Mineworx investment in joint venture	-	-	-	-	-	312,875	312,875		
Comprehensive loss for the period	-	-	-	-	(4,071,921)	(248,610)	(4,320,531)		
<b>Balance at December 31, 2017</b>	51,736,000	\$ 8,616,120	\$ 1,176,743	\$ -	\$ (4,213,336)	\$ 64,265	\$ 5,643,792		
Shares issued at \$1.50	6,700,000	10,050,000	-	-	-	-	10,050,000		
Shares issuing costs	-	(697,386)	-	-	-	-	(697,386)		
Finder's warrants issued	-	(499,156)	499,156	-	-	-	-		
Exercise of warrants at \$0.50	2,251,000	1,125,500	-	-	-	-	1,125,500		
Exercise of options at \$0.60	100,000	115,643	(55,643)	-	-	-	60,000		
Exercise of options at \$0.25	30,000	13,869	(6,369)	-	-	-	7,500		
Share based compensation	-	-	388,361	-	-	-	388,361		
Mineworx investment in joint venture	-	-	-	-	-	1,310,158	1,310,158		
Comprehensive loss for the period	-	-	-	-	(5,178,341)	(664,864)	(5,843,205)		
<b>Balance at December 31, 2018</b>	60,817,000	\$ 18,724,590	\$ 2,002,248	\$ -	\$ (9,391,677)	\$ 709,559	\$ 12,044,720		

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

**ENVIROLEACH TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in Canadian dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>		
Loss for the year	\$ (5,843,205)	\$ (4,320,531)
Items not affecting cash:		
Amortization	972,547	889,059
Interest on lease payments	11,161	5,631
Foreign exchange on liabilities	266,959	(70,684)
Share-based payments	388,361	1,220,477
Amortized interest on debt	12,316	12,550
Discount for early payment	-	(87,874)
Accrued interest	-	54,928
Changes in non-cash working capital items:		
Accounts receivables	(227,508)	(132,996)
Inventory	(305,784)	(1,382,407)
Prepaid expenses and deposits	624	(1,511)
Accounts payable and accrued liabilities	(215,520)	347,039
	<u>(4,940,049)</u>	<u>(3,466,319)</u>
<b>CASH FLOWS TO INVESTING ACTIVITIES</b>		
Purchase of equipment	(3,293,843)	(1,126,577)
	<u>(3,293,843)</u>	<u>(1,126,577)</u>
<b>CASH FLOWS FROM (TO) FINANCING ACTIVITIES</b>		
Advances from related party	(184,936)	308,042
Issuance of common shares	10,050,000	3,000,000
Cost of issuing shares	(697,386)	(54,114)
Shares issued for warrants	1,125,500	316,500
Shares issued for options	67,500	-
Minority partner equity investment	1,310,158	-
Note repayment	(354,928)	(514,233)
Royalty payments	(76,913)	(123,067)
Lease payments	(69,571)	(28,707)
Advances from customers	-	2,267,219
	<u>11,181,740</u>	<u>5,171,640</u>
<b>Change in cash for the period</b>	<b>2,935,532</b>	<b>575,744</b>
<b>Cash, beginning of the year</b>	<b>981,712</b>	<b>405,968</b>
<b>Cash, end of the period</b>	<b>\$ 3,917,244</b>	<b>\$ 981,712</b>

**Supplemental disclosure with respect to cash flows (Note 19)**

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

# ENVIROLEACH TECHNOLOGIES INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

---

### 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, Mineworx Technologies Ltd (“Mineworx”). 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 “ETT”. 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 1700, 421 – 7th Ave SW, Calgary, Alberta T2P 4K9 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 consolidated 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. The Company incurred a loss of \$5,843,205 for the year ended December 31, 2018 (2017 – loss of \$4,320,531) and has an accumulated deficit since inception of \$9,391,677, creating substantial doubt about its ability to continue in operation. These consolidated 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.

The consolidated financial statements were authorized for issue on April 16, 2019 by the Board of Directors of the Company.

### 2. Significant accounting policies

#### *Basis of presentation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board effective as of December 31, 2018.

The consolidated 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.

These consolidated financial statements include the accounts of a joint venture with Mineworx in which the Company is the operator and has control over the decision-making process. Under the agreement, the Company will earn 80% of the profits or incur 80% of the losses and Mineworx will receive 20%.

#### *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.

**ENVIROLEACH TECHNOLOGIES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
Year ended December 31, 2018

---

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

*Basis of presentation (cont'd)*

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

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

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.

d) The estimated useful life of the equipment and technology

In determining amounts of amortization and depreciation the Company is required to estimates how long the assets will be available for use.

e) The value of the technology purchased from Mineworx

The Company estimated the expected cash flow that the application of the technology would bring in order to determine whether there was any impairment in the carrying value of the asset. The company used discounted cash flow techniques and such factors as the discount rate, the royalty rate, the rate of recovery and the price of metals all went into that determination.

*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 December 31, 2018, the Company had cash equivalents of \$3,660,000 (2017 - \$15,000).

**ENVIROLEACH TECHNOLOGIES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
Year ended December 31, 2018

---

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

*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.

*Equipment*

Equipment is initially recorded at cost. As assets are put in use, they are amortized over their estimated useful lives on a straight-line basis at the following rates: equipment 3 – 10 years; office furniture – 3 – 5 years; computer hardware 3 years. The depreciation method, useful life and residual values are assessed annually.

*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.

*Impairment of non-current 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.

**ENVIROLEACH TECHNOLOGIES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
Year ended December 31, 2018

---

**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.

***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 December 31, 2018, the Company has not classified any financial assets as available for sale.

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 December 31, 2018, 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.

**ENVIROLEACH TECHNOLOGIES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
Year ended December 31, 2018

---

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

*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.

*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.

*Stock-based compensation*

The Company grants share-based award to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and reserves. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income was a corresponding entry within equity, against reserves. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in reserves, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

**ENVIROLEACH TECHNOLOGIES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
Year ended December 31, 2018

---

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

*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.

*Leases*

The Company has accounted leases in accordance with IFRS 16. Contract arrangements are reviewed to determine if the agreement includes identifiable assets that the company has the right to obtain sustainably all the economic benefits from the use of the asset during the period of use. A Right-to-Use asset and lease liability is created based on the amortized value discounted by the implicit interest rate in the agreement or the calculated corporate borrowing rate.

*Joint Venture*

The Company has accounted for its share of the joint venture with Mineworx by consolidating its accounts into its financial statements. This determination was made after an analysis of IFRS 11 (joint arrangements) and the terms of the joint arrangement with Mineworx

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

During the year, the Company implemented IFRS 15, *Revenue from Contracts with Customers*. IFRS specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The implementation of this standard had no impact on the Company's financial statements.

IFRS 16, *Leases*, has an effective implementation of January 1, 2019, in reviewing the application of the new standard the company elected for early implementation of the standard and applied it to the results for the years ended December 31, 2018 and 2017. The effect of implementing IFRS 16 was that expenses were reduced by \$11,032 (increase by \$2,372 in 2017), assets increased by \$422,110 (\$101,549 in 2017) and liabilities increased by \$413,450 (\$103,921 in 2017) as compared to if early adoption was not implemented.

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 January 1, 2019, 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 consolidated financial statements to be material, although additional disclosure may be required.

**4. Accounts receivables**

	December 31, 2018	December 31, 2017
Sales and other taxes receivables	\$ 348,754	\$ 131,542
Trade receivables	17,519	7,223
Total receivables	\$ 366,273	\$ 138,765

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

---

#### 5. Technology rights acquisition and notes payable

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 7,889,909 in two separate agreements.

The first agreement was signed on December 13, 2016 in a transaction with 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 effect 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. This note was repaid in fiscal 2017.

(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.

The full rights to the technology were acquired for another \$6,360,000 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 \$4,760,000 or \$0.17 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.

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. Related party balances and transactions

\$244,257 (2017 - \$429,193) due to related party represent advances owing to Mineworx that are unsecured, non-interest bearing and without specified repayment terms. Included in accounts payable are unpaid fees and expenses to related parties of \$1,579 (2017 - \$5,546).

The Company considers officers and members of the Board of Directors as related parties. The Company’s directors received \$51,965 (2017 - \$35,327) to perform their Board of Directors duties.

Key Management costs for the year ended December 31, 2018 was \$605,073 (2017 - \$464,162).

The Management Share Based Compensation for the year ended December 31, 2018 was \$nil (2017 - \$488,288) and \$nil (2017 - \$351,825) relating to Directors.

**ENVIROLEACH TECHNOLOGIES INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

**7. Accounts payable and accrued liabilities**

	December 31, 2018	December 31, 2017
Accounts payables	\$ 116,520	\$ 337,040
Accrued liabilities	20,000	15,000
	<u>\$ 136,520</u>	<u>\$ 352,040</u>

**8. Equipment****For the year ended December 31, 2018**

	Equipment	Right to Use	Office Furniture	Computer Hardware	Work in Progress	Total
Costs	\$	\$	\$	\$	\$	\$
Opening balance	425,718	126,997	18,259	19,308	979,167	1,569,449
Transfers	145,875				(145,875)	
Additions	2,697,421	367,939	16,377	5,312	574,732	3,661,780
December 31, 2018 Balance	<u>3,269,014</u>	<u>494,936</u>	<u>34,636</u>	<u>24,620</u>	<u>1,408,024</u>	<u>5,258,230</u>
<b>Depreciation</b>						
Opening balance	69,276	25,448	2,568	2,776	-	100,068
Current	122,597	47,378	6,624	6,957	-	183,556
December 31, 2018 Balance	<u>191,873</u>	<u>72,826</u>	<u>9,192</u>	<u>9,733</u>	<u>-</u>	<u>283,624</u>
<b>Net Book Value</b>	<u>3,077,141</u>	<u>422,110</u>	<u>25,444</u>	<u>14,887</u>	<u>1,408,024</u>	<u>4,947,606</u>

**For the year ended December 31, 2017**

	Equipment	Right to Use	Office Furniture	Computer Hardware	Work in Progress	Total
Costs	\$	\$	\$	\$	\$	\$
Opening balance	-	-	-	-	-	-
Additions	425,718	126,997	18,259	19,308	979,167	1,569,449
December 31, 2017 Balance	<u>425,718</u>	<u>126,997</u>	<u>18,259</u>	<u>19,308</u>	<u>979,167</u>	<u>1,569,449</u>
<b>Depreciation</b>						
Opening balance	-	-	-	-	-	-
Current	69,276	25,448	2,568	2,776	-	100,068
December 31, 2017 Balance	<u>69,276</u>	<u>25,448</u>	<u>2,568</u>	<u>2,776</u>	<u>-</u>	<u>100,068</u>
<b>Net Book Value</b>	<u>356,442</u>	<u>101,549</u>	<u>15,692</u>	<u>16,531</u>	<u>979,167</u>	<u>1,469,381</u>

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

#### 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.

	December 31, 2018	December 31, 2017
	\$	\$
<b>Costs</b>		
Opening balance	7,889,909	1,529,909
Additions	-	6,360,000
Closing Balance	7,889,909	7,889,909
<b>Amortization</b>		
Opening Balance	788,991	-
Additions	788,990	788,991
Closing Balance	1,577,981	788,991
<b>Net Book Value</b>	6,311,928	7,100,918

#### 10. Notes payable to related party

A promissory note payable was incurred in the acquisition of technology from Mineworx Technologies Ltd. and is described in Note 5. The note, under which \$600,000 was to be repaid by September 20, 2017 and the balance of \$1,000,000 is due by March 21, 2019. The note bears interest of 5.0% per annum compounded monthly. The \$600,000 was fully repaid in 2018. The balance of \$1,000,000 is shown as a current liability and remains unpaid. During the year ended December 31, 2018, \$56,074 was recorded as interest (2017 – \$54,968).

#### 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:

	December 31, 2018	December 31, 2017
	\$	\$
Opening balance	946,492	1,127,693
Payments	(76,912)	(123,067)
Interest portion of payments	12,316	12,550
Adjustment for exchange	78,618	(70,684)
Closing balance	960,514	946,492
Current portion – 12 payments at a Discounted value of \$4,200 US	68,745	63,217
Long term portion	891,768	883,275

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.

**ENVIROLEACH TECHNOLOGIES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
Year ended December 31, 2018

---

**12. Share capital**

*Authorized share capital*

Unlimited number of common shares without par value.

*Issued share capital*

There are 60,817,000 shares issued and outstanding as at December 31, 2018 (2017 – 51,736,000).

The transactions giving rise to these shares during the year ended December 31, 2018, are as follows:

- On March 1, 2018 – 6,7000,000 units were issued as part of a private placement at a price of \$1.50 per 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 \$2.50 per Warrant Share up to a period of two years following the date of closing.
- On March 1, 2018 – the company issued 405,333 compensation warrants (each, a "Compensation Warrant"). Each Compensation Warrant will entitle the holder to purchase one unit (consisting of one common share and one common share purchase warrant) at the private placement offering price of \$1.50 per unit, and will be exercisable until March 1, 2020, including by way of cashless exercise. Each underlying common share purchase warrant will be subject to substantially the same terms as are applicable to the Warrants, except that, subject to acceleration, they will also expire on March 1, 2020, and contain a cashless exercise provision.
- The following warrants and options were exercised with each warrant and option exchanged for one common share:

Date issued	Number and price of warrants / options exercised
January 4, 2018	100,000 warrants were exercised at a price of \$0.50 per share.
January 18, 2018	140,000 warrants were exercised at a price of \$0.50 per share.
February 8, 2018	59,600 warrants were exercised at a price of \$0.50 per share.
February 14, 2018	67,100 warrants were exercised at a price of \$0.50 per share.
February 16, 2018	308,300 warrants were exercised at a price of \$0.50 per share.
February 20, 2018	45,000 warrants were exercised at a price of \$0.50 per share.
March 5, 2018	40,000 warrants were exercised at a price of \$0.50 per share.
March 9, 2018	980,000 warrants were exercised at a price of \$0.50 per share.
March 15, 2018	75,000 warrants were exercised at a price of \$0.50 per share.
April 17, 2018	100,000 warrants were exercised at a price of \$0.50 per share.
May 17, 2018	20,000 options were exercised at a price of \$0.60 per share.
May 28, 2018	100,000 options were exercised at a price of \$0.25 per share.
July 18, 2018	50,000 warrants were exercised at a price of \$0.50 per share.
July 23, 2018	100,000 warrants were exercised at a price of \$0.50 per share.
July 26, 2018	156,000 warrants were exercised at a price of \$0.50 per share.
September 24, 2018	10,000 options were exercised at a price of \$0.25 per share.
October 17, 2018	30,000 warrants were exercised at a price of \$0.50 per share.

The transactions giving rise to these shares during the year ending December 31, 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.

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

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

- On March 15, 2017 – 12,000,000 units were issued as part of a private placement at a price of \$0.25 per 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.
- On March 21, 2017 – 28,000,000 shares were issued as part of the technology rights acquisition at a deemed price of \$0.17 per share.
- On December 19, 2017 – 206,000 shares were issued on the exercise of options at a price of \$0.25 per share for proceeds of \$51,500.
- In the quarter ending December 31, 2017 – 530,000 shares were issued on the exercise of the warrants at a price of \$0.50 per share for proceeds of \$265,000.

#### *Finders' Options*

Included in share-based compensation for fiscal 2017 were options to financing finders. 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. All the finders' options were exercised on December 19, 2017 and the 206,000 warrants at \$0.50 per share were issued.

#### *Warrants*

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, 2017	11,676,000	\$ 0.50	
Granted on private placement	6,700,000	2.50	March 1, 2020
Granted as compensation warrants	405,333	1.50	March 1, 2020
Exercised	(2,251,000)	0.50	
Balance outstanding, December 31, 2018	16,530,333	\$ 1.31	

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date
9,425,000	9,425,000	\$ 0.50	March 21, 2019
6,700,000	6,700,000	\$ 2.50	March 1, 2020
405,333	405,333	\$ 1.50	March 1, 2020
16,530,333	16,530,333	\$ 1.31	

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

#### 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 15% 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.

	Year ended December 31, 2018		Year ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,100,000	\$ 0.27	-	\$ -
Granted	325,000	1.48	5,100,000	0.27
Exercised	(130,000)	0.52	-	-
Options cancelled/expired	-	-	-	-
Options outstanding, end of period	5,295,000	\$ 0.34	5,100,000	\$ 0.27
Options exercisable, end of period	5,1295,000	\$ 0.34	5,050,000	\$ 0.27

During the year ended December 31, 2018, the weighted average trading price of the Company's stock at the time of option exercise was \$1.60.

On July 18, 2018, the Company granted 125,000 stock options to employees of the Company. The options are at an exercise price of \$1.20 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

On April 12, 2018, the Company granted 200,000 stock options to employees of the Company. The options are at an exercise price of \$1.65 per share and valid for a period of five years from the date of the grant. 50% of the options vested 3 months after the grant date and 50% vested 6 months after the grant date.

On December 31, 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.

On November 10, 2017, the Company granted 100,000 stock options to a consultant of the Company. The options are at an exercise price of \$0.88 per share and valid for a period of two years from the date of the grant. The options vested upon grant.

On August 1, 2017, the Company granted 100,000 stock options to a consultant of the Company. The options are at an exercise price of \$0.60 per share and valid for a period of five years from the date of the grant. 50% of the options vested 3 months after the grant date and 50% vested 6 months after the grant date.

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.

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

#### 13. Share based payments (cont'd)

The following is a summary of stock options on hand at December 31, 2018. The weighted average time until expiry is 3.27 years and the weighted average option price is \$0.34.

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
4,770,000	4,770,000	\$ 0.25	March 25, 2022
100,000	100,000	\$ 0.50	December 31, 2022
100,000	100,000	\$ 0.88	November 10, 2019
200,000	200,000	\$ 1.65	April 12, 2023
125,000	125,000	\$ 1.20	July 18, 2023
5,295,00	5,295,000		

#### 14. Reserves

The reserves record items recognized as share-based payments expense and compensation warrant issuing costs until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital. The total share-based payments recognized during the year ending December 31, 2018, under the fair value method was \$388,361 (2017 - \$1,220,477). The total compensation warrants recorded as issuing expense was \$499,156 (2017 - \$Nil).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation warrants granted during the year ended December 31, 2018 and the year ended December 31, 2017:

	2018	2017
Risk-free interest rate	1.15%	0.51%
Expected life of options	5 years	4.94 years
Annualized volatility	143.25%	127.92%
Dividend rate	0.00%	0.00%

#### 15. Right-to-Use assets and lease liability

The company has entered into various contractual arrangements that include right-to-use assets that relate to facilities and equipment used in its operations. The weighted average interest rate utilized to discount future lease payments is 7.42%.

	December 31, 2018	December 31, 2017
Net book value consists of		
Facilities	349,080	68,907
Equipment	73,030	32,642
	422,110	100,549

**ENVIROLEACH TECHNOLOGIES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
Year ended December 31, 2018

---

**15. Right-to-Use assets and lease liability (cont'd)**

Future lease payments are as follows	\$
2019	194,621
2020	171,270
2021	82,948
2022	6,986
2023	1,156
Total lease payments	<u>456,981</u>
Less discount	<u>(45,531)</u>
Payments on principal	413,450
Current principal payments	169,155
Long term portion	<u>244,295</u>

**16. 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.

**17. 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 December 31, 2018, the carrying values of cash, receivables, accounts payable and accrued liabilities, amounts due to related party, advances payable and promissory note payable approximate their fair values due to their short terms to maturity. Advance royalty payable and lease liabilities are carried at amortized cost.

## ENVIROLEACH TECHNOLOGIES INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

---

#### 17. Financial risk management (cont'd)

##### Financial risks

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

- Credit risk
- *Credit 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, 2018, 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 December 31, 2018, the Company had a cash balance of \$3,917,244 (2017 - \$91,712) to settle current liabilities of \$4,074,237 (2017 - \$3,502,355). 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.

##### *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, 2018, the Company was not exposed to significant interest rate risk.

The company has liabilities of \$3,416,073 (\$2,504,086 USD) due in USD. In 2017 this balance was \$3,213,711 (\$2,554,486 USD).

##### (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.

**ENVIROLEACH TECHNOLOGIES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
Year ended December 31, 2018

---

**18. Supplemental disclosure with respect to cash flows**

During the Year ended December 31, 2018, the significant non-cash transactions were as follows:

- a) The Company capitalized leases and recorded a lease liability of \$367,939.

During the Year ended December 31, 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 and the payment is included in amounts invested in technology. No amounts were paid during the year, so the agreement had no cash flow impact.
- b) The Company issued 2,000,000 common shares at a 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 value of \$4,760,000. These were for the purchase of technology; the payment is included in amounts invested in technology.
- d) Mineworx transferred assets that were valued at \$312,875 representing their 20% of the Joint Venture.
- e) The Company capitalized leases and recorded a lease liability of \$126,997.

**19. Basic and diluted income (loss) per share**

The calculation of basic and diluted loss per share for the year ended December 31, 2018 was based on the loss attributable to common shareholders of \$5,178,341 (2017 – \$4,071,921) and the weighted average number of common shares outstanding of 59,162,066 (2017 – 42,168,512).

Diluted loss per share did not include the effect of 5,295,000 (2017 - 5,050,000) exercisable stock options, and 16,530,333 (11,676,000) exercisable share purchase warrants as the effect would be anti-dilutive.

**20. 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.

**ENVIROLEACH TECHNOLOGIES INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Year ended December 31, 2018

**21. Income taxes**

## Income tax reconciliation

The Company's income tax provision differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 27% to the net loss before income taxes as follows:

For the year ended December 31,	2018	2017
	\$	\$
Net loss for the year	(5,843,205)	(4,320,531)
Expected income tax recovery at statutory rates	(1,578,000)	(1,123,000)
Non-deductible expenditures	112,000	320,000
Minority interest allocation	(179,000)	(64,000)
Change in statutory rates, estimates and other	(99,000)	-
Change in unrecognized deductible temporary differences	1,774,000	867,000
Income tax recovery recognized	-	-

Significant components of the Company's deferred tax assets and liabilities are as follows

For the year ended December 31,	2018	2017
	\$	\$
Non-capital losses	2,025,000	538,000
Equipment	57,000	26,000
Share issuing costs	267,000	11,000
Unrecognized deferred tax asset	2,349,000	575,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

For the year ended December 31,	2018	2017
	\$	\$
Non capital losses – expires 2036 to 2038	7,499,000	2,070,000
Cumulative eligible capital – (Class 41.1)	30,000	30,000
Equipment	211,000	100,000
Issuing costs – expires 2022	989,000	43,000

## **ENVIROLEACH TECHNOLOGIES INC.**

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

(Expressed in Canadian dollars)

Year ended December 31, 2018

---

#### **22. Restatement of prior year's financial statements**

As a result of the early adoption of IFRS 16, *Leases* (Note 3), the following changes were retroactively applied to consolidated financial statements for the year ended December 31, 2017:

On the consolidated statement of loss and comprehensive loss:

Interest and finance fees increased \$5,631 from \$68,30 to 74,161.

Lab operating costs decreased \$28,070 from \$357,099 to \$328,392.

Total operating costs decreased \$23,076 from \$3,636,821 to \$3,613,745.

Amortization increased \$25,448 from \$863,611 to \$889,059.

Loss and comprehensive loss for the year increased \$2,372 from \$4,318,159 to \$4,320,531.

Loss attributed to shareholders as increased \$2,372 from \$4,069,549 to \$4,071,921.

On the consolidated statement of financial position:

Equipment was increased \$101,549 from \$1,367,832 to \$1,469,381.

Total non-current assets increased \$101,549 from \$8,468,750 to \$8,570,299.

Total assets increased by \$101,559 from \$10,996,036 to \$11,097,585.

The current portion of lease liability was recorded as \$35,758.

Total current liabilities increased \$35,758 from \$3,466,597 to \$3,502,355.

The long-term portion of lease liability was recorded as \$68,163.

Total non-current liabilities increased by \$68,163 from \$1,883,275 to \$1,951,438.

Total liabilities increased \$103,921 from \$5,349,872 to \$5,453,793.

Accumulated deficit increased \$2,372 from \$4,210,964 to \$4,213,336.

Total equity decreased \$2,372 from \$5,581,899 to \$5,579,527.

Total shareholders' equity decreased \$2,372 from \$5,646,164 to \$5,643,792.

Total liabilities and shareholders' equity increased \$101,549 from \$10,966,036 to \$11,197,585.

On the consolidated statement of cash flows, the following were changes that were not already disclosed above:

Interest of \$5,631 was shown as an item not affecting cash.

Total cash flows to operating activities decreased by \$28,706 from \$3,495,025 to \$3,466,319.

Lease payments of \$28,707 were shown as cash flows from (to) financing activities.

Total cash flows from financing activities decreased \$28,706 from \$5,200,346 to \$5,171,640.

#### **23. Subsequent events**

In the three months ending March 31, 2019 – 9,425,000 warrants were exercised at a price of \$0.50 per share.

On March 1, 2019 – 2,250,000 options at a price of \$0.76 per share were granted to employees, consultants, and directors of the company.