

Consolidated Financial Statements



Nine months ended September 30, 2019

(Expressed in Canadian dollars)

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.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	September 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		\$ 2,343,993	\$ 3,917,244
Receivables	4	415,321	366,273
Inventory		2,368,814	1,688,191
Prepaid expenses and deposits		34,834	23,778
Total current assets		5,162,962	5,995,486
Non-current assets			
Equipment	8	6,888,348	4,947,606
Technology	5 & 9	5,720,184	6,311,928
Total non-current assets		12,608,532	11,259,534
TOTAL ASSETS		\$ 17,771,494	\$ 17,255,020
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 262,356	\$ 136,520
Due to related party	6	197,303	244,257
Advances		2,383,740	2,455,560
Current portion of lease liability	15	169,920	169,155
Current portion of notes payable to related party	5	500,000	1,000,000
Current portion of advance royalty payable	5 & 11	66,735	68,745
Total current liabilities		3,581,054	4,074,237
Non-Current liabilities			
Lease liability	15	118,665	244,295
Advance royalty payable	5 & 11	815,635	891,768
Total non-current liabilities		933,300	1,136,063
TOTAL LIABILITIES		4,514,354	5,210,300
SHAREHOLDERS' EQUITY			
Share capital	12	23,483,390	18,724,590
Reserves	14	3,648,945	2,002,248
Accumulated deficit		(14,997,815)	(9,391,677)
		12,134,520	11,335,161
Equity attributed to minority interest	2	1,122,620	709,559
TOTAL SHAREHOLDERS' EQUITY		13,257,140	12,044,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 17,771,494	\$ 17,255,020

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	Three months ended September 30, 2019	Nine months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2018
Revenue	\$ 88,960	\$ 370,316	\$ -	\$ -
Cost of Sales				
Processing costs	14,724	137,872	-	-
Operating costs	25,733	253,920	-	-
Material purchases	-	184,899	-	-
	40,457	576,691	-	-
Gross Margin	48,503	(206,375)	-	-
Expenses				
Laboratory costs	145,883	573,449	171,306	397,369
Interest and financing costs	17,472	63,679	17,298	60,483
Project development	258,094	818,266	105,127	869,881
Share based payments	6	1,667,997	116,636	242,731
General and administration	21	726,834	319,043	1,622,785
	1,148,283	4,941,062	729,410	3,193,249
Loss before other items	(1,099,780)	(5,147,437)	(729,410)	(3,193,249)
Other items				
Interest income	29,651	91,149	903	1,976
Other income	10,057	94,818	37,182	72,348
Amortization	(420,792)	(1,273,323)	(242,484)	(720,147)
Gain (loss) on disposal of assets	-	1,657	-	-
Foreign exchange gain (loss)	(33,840)	109,626	387	(50,934)
Loss and comprehensive loss for the period	(1,514,704)	(6,123,510)	(933,422)	(3,890,006)
Loss attributed to minority interests	(210,629)	(517,372)	(87,516)	(387,981)
Loss attributed to shareholders	\$ (1,304,075)	\$ (5,606,138)	\$ (845,906)	\$ (3,502,025)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.08)	\$ (0.01)	\$ (0.06)
Weighted average number of common shares outstanding	70,342,000	67,698,099	60,787,000	58,606,227

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	Accumulated Deficit	Minority Interest	Total	
Balance at December 31, 2017	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	-	(600,875)	-	-	-	(600,875)	
Finder's warrants issued	-	(499,156)	499,156	-	-	-	
Exercise of warrants at \$0.50	2,221,000	1,110,500	-	-	-	1,110,500	
Exercise of options at \$0.60	100,000	115,643	(55,643)	-	-	(55,643)	
Exercise of options at \$0.25	30,000	13,869	(6,369)	-	-	(6,369)	
Share based compensation	-	-	242,731	-	-	242,731	
Mineworx investment in joint venture	-	-	-	-	846,022	846,022	
Comprehensive loss for the period	-	-	-	(3,502,025)	(387,981)	(3,890,006)	
Balance at September 30, 2018	60,471,000	\$ 18,806,101	\$ 1,856,618	\$ (7,715,361)	\$ 522,306	\$ 13,469,664	
Exercise of warrants at \$0.50	346,000	173,000	-	-	-	173,000	
Share based compensation	-	-	145,630	-	-	145,630	
Mineworx investment in joint venture	-	-	-	-	583,995	583,995	
Comprehensive loss for the period	-	-	-	(1,676,316)	(229,433)	(1,905,749)	
Balance at December 31, 2018	60,817,000	\$ 18,724,590	\$ 2,002,248	\$ (9,391,677)	\$ 709,559	\$ 12,044,720	
Exercise of warrants at \$0.50	9,425,000	4,712,500	-	-	-	4,712,500	
Exercise of options at \$0.25	100,000	46,230	(21,300)	-	-	25,000	
Share based compensation	-	-	1,667,997	-	-	1,667,997	
Mineworx investment in joint venture	-	-	-	-	930,433	930,433	
Comprehensive loss for the period	-	-	-	(5,606,138)	(517,372)	(6,123,510)	
Balance at September 30, 2019	70,342,000	\$ 23,483,390	\$ 3,648,945	\$ (14,997,815)	\$ 1,122,620	\$ 13,257,140	

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

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the year	\$ (6,123,510)	\$ (3,890,006)
Items not affecting cash:		
Amortization	1,273,323	720,147
Amortized interest on liabilities	23,825	17,532
Foreign exchange on liabilities	(99,521)	45,283
Share-based payments	1,667,997	242,731
Gain on disposal of assets	(1,657)	-
Changes in non-cash working capital items:		
Accounts receivables	(49,048)	(159,230)
Inventory	(680,623)	(337,099)
Prepaid expenses and deposits	(11,056)	(1,024)
Accounts payable and accrued liabilities	125,836	(31,988)
	<u>(3,874,434)</u>	<u>(3,393,654)</u>
CASH FLOWS TO INVESTING ACTIVITIES		
Purchase of equipment	(2,619,752)	(3,006,346)
	<u>(2,619,752)</u>	<u>(3,006,346)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Advances from related party	(46,954)	(327,060)
Issuance of common shares	-	10,050,000
Cost of issuing shares	-	(600,875)
Shares issued for options	25,000	67,500
Shares issued for warrants	4,712,500	1,110,500
Minority partner equity investment	930,433	846,022
Note repayment	(500,000)	(548,890)
Royalty payments	(60,060)	(47,837)
Lease payments	(139,985)	(54,314)
	<u>4,920,934</u>	<u>11,170,106</u>
Change in cash for the period	(1,573,251)	4,770,106
Cash, beginning of the year	3,917,244	981,712
Cash, end of the period	\$ 2,343,993	\$ 5,751,818

Supplemental disclosure with respect to cash flows (Note 18)

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

ENVIROLEACH TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Nine months ended September 30, 2019

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 “ETP”. 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 \$5,606,138 for the Nine months ended September 30, 2019 (2018 – loss of \$2,593,936) and has an accumulated deficit since inception of \$14,997,815, 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 November 25, 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 September 30, 2019.

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 a 20% share.

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)
Nine months ended September 30, 2019

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 Nine months or less at the time of issuance to be cash equivalents. As at September 30, 2019, the Company had cash equivalents of \$65,000 (2018 - \$4,560,000).

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Nine months ended September 30, 2019

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)
Nine months ended September 30, 2019

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 September 30, 2019, 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 September 30, 2019, 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)
Nine months ended September 30, 2019

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)
Nine months ended September 30, 2019

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

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 October 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

	September 30, 2019	December 31, 2018
Sales and other taxes receivables	\$ 409,207	\$ 348,754
Trade receivables	6,114	17,519
Total receivables	\$ 415,321	\$ 366,273

ENVIROLEACH TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Nine months ended September 30, 2019

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 Nine 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

\$197,303 (2018 - \$756,254) 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 \$1,046 (2018 - \$1,579).

The Company considers officers and members of the Board of Directors as related parties. The Company’s external directors received \$160,152 (2018 - \$47,403) to perform their Board of Directors duties.

Key Management costs for the Nine months ended September 30, 2019 was \$479,510 (2018 - \$452,791).

The Management Share Based Compensation for the Nine months ended September 30, 2019 was \$400,502 (2018 - \$nil) and \$748,408 (2018 - \$nil) relating to Directors.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Nine months ended September 30, 2019

7. Accounts payable and accrued liabilities

	September 30, 2019	December 31, 2018
Accounts payables	\$ 243,606	\$ 116,520
Accrued liabilities	18,750	20,000
	<u>\$ 262,356</u>	<u>\$ 136,520</u>

8. Equipment

For the Nine months ended September 30, 2019

	Equipment	Right to Use	Office Furniture	Computer Hardware	Work in Progress	Total
Costs	\$	\$	\$	\$	\$	\$
Opening balance	3,208,494	494,936	95,156	24,620	1,408,024	5,231,230
Additions	81,400	297,508	1,097	6,130	2,531,126	2,917,261
Disposals	-	(314,654)	-	-	-	(314,654)
September 30, 2019 Balance	<u>3,289,894</u>	<u>477,790</u>	<u>96,252</u>	<u>30,749</u>	<u>3,939,150</u>	<u>7,833,837</u>
Depreciation						
Opening balance	188,847	72,826	12,218	9,733	-	283,624
Current	510,728	146,588	17,920	6,345	-	681,580
Disposals	-	(19,715)	-	-	-	(19,715)
September 30, 2019 Balance	<u>699,576</u>	<u>199,698</u>	<u>30,138</u>	<u>16,078</u>	<u>-</u>	<u>945,489</u>
Net Book Value	<u>2,590,319</u>	<u>278,092</u>	<u>66,115</u>	<u>14,671</u>	<u>3,939,150</u>	<u>6,888,348</u>

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	2,636,901	367,939	76,897	5,312	574,732	3,661,780
December 31, 2018 Balance	<u>3,208,494</u>	<u>494,936</u>	<u>95,156</u>	<u>24,620</u>	<u>1,408,024</u>	<u>5,231,230</u>
Depreciation						
Opening balance	69,276	25,448	2,568	2,776	-	100,068
Current	119,571	47,378	9,650	6,957	-	183,556
December 31, 2018 Balance	<u>188,847</u>	<u>72,826</u>	<u>12,218</u>	<u>9,733</u>	<u>-</u>	<u>283,624</u>
Net Book Value	<u>3,019,647</u>	<u>422,110</u>	<u>82,938</u>	<u>14,887</u>	<u>1,408,024</u>	<u>4,947,606</u>

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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.

	September 30, 2019	Dec 31, 2018
	\$	\$
Costs		
Opening balance	7,889,909	7,889,909
Additions	-	-
Closing Balance	7,889,909	7,889,909
Amortization		
Opening Balance	1,577,981	788,991
Additions	591,744	788,991
Closing Balance	2,169,725	1,577,981
Net Book Value	5,720,184	6,311,928

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 was 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 \$500,000 is shown as a current liability and remains unpaid. During the Nine months ended September 30, 2019, \$32,984 was recorded as interest (2018 – \$30,762).

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:

	September 30, 2019	Dec 31, 2018
	\$	\$
Opening balance	960,514	946,492
Payments	(60,060)	(76,912)
Interest portion of payments	9,617	12,316
Adjustment for exchange	(27,701)	78,618
Closing balance	882,370	960,514
Current portion – 12 payments at a Discounted value of \$4,200 US	66,735	68,745
Long term portion	815,635	891,768

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.

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12. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 70,342,000 shares issued and outstanding as at September 30, 2019.

The transactions giving rise to these shares during the year ending September 30, 2019, are as follows:

- 9,425,000 shares issued to fulfill the exercising of warrants at a price of \$0.50 per share
- On June 18, 2019, 100,000 shares were issued to fulfill the exercising of options at a price of \$0.25 per share

The transactions giving rise to these shares during the Nine months ended September 30, 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:

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.

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12. Share capital (cont'd)*Warrants*

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

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, December 31, 2018	16,530,333	\$ 1.31
Exercised	(9,425,000)	0.50
Balance outstanding, September 30, 2019	7,105,333	\$ 2.44

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date
6,700,000	6,700,000	\$ 2.50	March 1, 2020
405,333	405,333	\$ 1.50	March 1, 2020
7,105,333	7,105,333	\$ 2.44	

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.

	Three months ended September 30, 2019		Year ended December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,295,000	\$ 0.34	5,100,000	\$ 0.27
Granted	2,475,000	0.78	325,000	1.48
Exercised	(100,000)	0.25	(130,000)	0.52
Options cancelled/expired	-	-	-	-
Options outstanding, end of period	7,680,000	\$ 0.48	5,295,000	\$ 0.34
Options exercisable, end of period	7,430,000	\$ 0.47	5,195,000	\$ 0.34

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13. Share based payments (cont'd)

On March 1, 2019, the Company granted 2,225,000 stock options to directors, employees, and consultants of the Company. The options are at an exercise price of \$0.76 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

On June 14, 2019, the Company granted 250,000 stock options an executive of the Company. The options are at an exercise price of \$0.96 per share and valid for a period of five years from the date of the grant. The options vest 6 months after the grant date.

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.

The following is a summary of stock options on hand at September 30, 2019.

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
4,670,000	4,670,000	\$ 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
2,225,000	2,225,000	\$ 0.76	March 1, 2024
250,000	-	\$ 0.96	June 14, 2024
7,680,000	7,430,000		

The weighted average time until expiry is 3.14 years and the weighted average option price is \$0.48.

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 Nine months ending September 30, 2019, under the fair value method was \$1,667,997 (2018 - \$126,095)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation warrants granted during the Nine months ended September 30, 2019 and the year ended December 31, 2018:

	2019	2018
Risk-free interest rate	1.67%	1.15%
Expected life of options	5 years	5 years
Annualized volatility	143.25%	143.25%
Dividend rate	0.00%	0.00%

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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 7.45%.

	September 30, 2019	Dec 31, 2018
	\$	\$
Net book value consists of		
Facilities	225,482	349,080
Equipment	52,610	73,030
	<u>278,092</u>	<u>422,110</u>
Future lease payments are as follows	\$	
2019	48,655	
2020	171,269	
2021	82,948	
2022	6,986	
2023	1,473	
Total lease payments	311,331	
Less discount	<u>(22,746)</u>	
Payments on principal	288,585	
Current principal payments	<u>169,920</u>	
Long term portion	<u>118,665</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.

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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 September 30, 2019, 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.

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 September 30, 2019, 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 September 30, 2019, the Company had a cash balance of \$2,343,993 (2018 - \$3,917,244) to settle current liabilities of \$3,581,054 (2018 - \$4,074,237). 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.

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17. 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 September 30, 2019, the Company was not exposed to significant interest rate risk.

The company has net liabilities of \$3,406,898 (\$2,567,745 USD) due in USD. In 2018 this balance was \$3,416,073 (\$2,504,086 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.

18. Supplemental disclosure with respect to cash flows

During the Nine months ended September 30, 2019, the significant non-cash transactions were as follows:

- a) The terms of a facility lease were modified causing the capitalized leases and lease liability to be increased by \$297,508 offset by the reduction of \$294,939 for the original lease.

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

19. Basic and diluted income (loss) per share

The calculation of basic and diluted loss per share for the Nine months ended September 30, 2019 was based on the loss attributable to common shareholders of \$4,529,141 (2018 – \$2,894,401) and the weighted average number of common shares outstanding of 66,354,238 (2018 – 57,542,608).

Diluted loss per share did not include the effect of 7,430,000 (2018 – 5,100,000) exercisable stock options, and 7,105,333 (2018 – 10,266,333) 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.

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21. General and administration

The costs included in General and administration are:

	Notes	Three months ended September 30, 2019	Nine months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2018
Consulting costs		29,820	60,084	23,629	82,722
Management and employee	6	336,322	893,859	188,000	680,028
Marketing and promotion costs		23,592	101,829	27,295	116,915
Office and general		50,836	112,128	2,216	122,104
Public listing costs	6	104,678	263,733	42,063	202,533
Professional fees		111,246	183,821	26,837	173,358
Travel		70,340	202,216	9,003	245,125
Total		726,834	1,817,670	319,043	1,622,785

22. Subsequent events

On October 2, 2019 200,000 options were exercised at a price of \$0.25 per share
On October 15, 2019 100,000 options were exercised at a price of \$0.88 per share
On October 15, 2019 25,000 options were exercised at a price of \$0.76 per share
On October 15, 2019 25,000 options at a price of \$1.20 per share expired