

Financial Statements



Since Inception to December 31, 2016

(Expressed in Canadian dollars)

K. R. MARGETSON LTD.

Chartered Professional Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Enviroleach Technologies Inc.:

I have audited the accompanying financial statements of Enviroleach Technologies Inc., which comprise the statement of financial position as at December 31, 2016 and the statement of loss and comprehensive loss, changes in shareholders' equity and statement of cash flows for the period from inception, October 21, 2016 to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Enviroleach Technologies Inc. as at December 31, 2016 and its financial performance and its flows for the period from inception, October 21, 2016 to December 31, 2016, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, I draw attention to Note 1 in the financial statements, which describes matters and conditions that indicated the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

R.P. Macgibbon Ltd.

Chartered Professional Accountant

Vancouver, Canada
February 1, 2017

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

	Notes	December 31, 2016
ASSETS		
Cash		\$ 405,968
Receivables	4	5,769
Prepaid expenses and deposits		22,891
Total current assets		434,629
Non-current assets		
Technology rights	5	1,740,000
Total non-current assets		1,740,000
TOTAL ASSETS		\$ 2,174,628
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		\$ 5,000
Due to related party	6	121,152
Promissory note payable	7	302,107
Current portion of advance royalty payable	8	80,562
Total current liabilities		508,821
Non-Current liabilities		
Advance royalty payable	8	1,255,425
Total non-current liabilities		1,255,425
TOTAL LIABILITIES		1,764,246
SHAREHOLDERS' EQUITY		
Share capital	9	450,000
Obligation to issue shares	5	100,000
Deficit		(139,618)
TOTAL SHAREHOLDERS' EQUITY		410,382
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 2,174,628

Nature and continuance of operations (Note 1)
Commitments (Note 11)

On behalf of the Board:

"Duane Nelson"

"Greg Pendura"

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

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

	Notes	From Inception to December 31, 2016
Expenses		
Consulting fees		\$ 3,875
Banking fees		186
Investor relations		330
Management and employee costs	10	13,936
Office and general		8746
Professional fees		50,415
Testing and supplies		22,444
Travel		1,516
		<u>101,448</u>
Loss before other items		(101,448)
Other items		
Foreign exchange loss		(38,170)
		<u>(38,170)</u>
Loss and comprehensive loss for the period		\$ (139,618)
		<u><u>\$ (139,618)</u></u>
Basic and diluted loss per common share		\$ (0.06)
		<u><u>\$ (0.06)</u></u>
Weighted average number of common shares outstanding		2,281,690
		<u><u>2,281,690</u></u>

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

ENVIROLEACH TECHNOLOGIES INC.
STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars - Unaudited)

Share Capital						
	Number of Shares	Amount	Obligation to Issue shares	Deficit	Total	
Shares issued at incorporation, October 21, 2016	1	\$ 1	\$ -	\$ -	1	
Shares issued at \$0.05	9,000,000	450,000	-	-	450,000	
Initial share cancelled	(1)	(1)	-	-	(1)	
Technology rights acquisition	-	-	100,000	-	100,000	
Comprehensive loss for the period	-	-	-	(139,618)	(139,618)	
Balance at December 31, 2016	9,000,000	\$ 450,000	\$ 100,000	\$ (139,618)	\$ 410,382	

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

ENVIROLEACH TECHNOLOGIES INC.

STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars)

	From Inception to December 31, 2016
CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Loss for the period	\$ (139,618)
Items not affecting cash:	
Foreign exchange	38,042
Changes in non-cash working capital items:	
Accounts receivables	(5,769)
Prepaid expenses and deposits	(22,891)
Accounts payable and accrued liabilities	5,000
	<u>(125,236)</u>
CASH FLOWS TO INVESTING ACTIVITIES	
Payments on technology rights	(39,948)
	<u>(39,948)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances from related party	121,152
Issuance of common shares	450,000
	<u>571,152</u>
Change in cash for the period	405,968
Cash, beginning of the period	-
Cash, end of the period	<u>\$ 405,968</u>

Supplemental disclosure with respect to cash flows (Note 14)

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

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

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 directors, Iberian Minerals Ltd. (“Iberian”). The Company will develop and market hydrometallurgy solutions to the mining and E-waste sectors.

The Company’s registered office is located at 1000, 250 2nd Street SW, Calgary, Alberta T2P 0C1 and its corporate head office is located at 102, 1603 - 91, Edmonton, Alberta T6X 0W8.

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

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. For the period from inception to December 31, 2016, the Company incurred a loss of \$139,618 and has a working capital deficiency of \$74,192. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board effective as of December 31, 2016.

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

Significant accounting judgments, estimates and assumptions

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

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

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

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

2. Significant accounting policies (cont'd)

Basis of presentation (cont'd)

a) Going concern

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

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

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

Foreign currency translation

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

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

Technology

Technology assets are the costs of acquiring rights to proprietary environmentally-friendly technologies for the concentration and extraction of valuable metals and minerals from mining and environmental waste/reclamation industries. The expected future economic benefits support the carrying value, which will be amortized over its estimated useful life, expected to be 20 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.

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.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

2. Significant accounting policies (cont'd)

Impairment of assets

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

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

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

Financial assets

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

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

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2016 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, 2016 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.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

2. Significant accounting policies (cont'd)

Related party transactions

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

Share capital

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

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

Income taxes

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

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

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

Comprehensive income (loss)

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

Loss per share

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

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

3. New standards, amendments and interpretations

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

4. Accounts receivables

	December 31, 2016
Sales and other taxes receivables	\$ 5,769

5. Technology rights acquisition

In December, 2016, the Company entered into two separate agreements to acquire the rights to technologies for the concentration and extraction of valuable metals and minerals. The first agreement was signed on December 13, 2016 in a transaction with Iberian, 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 Iberian. The total payments required to be made to Mohave and Scott are as follows:

2,000,000 Enviroleach shares	\$ 100,000
Promissory note payable	\$ 328,000 (\$250,000 US)
Advance royalty payable	\$1,312,000 (\$1,000,000 US)
Total acquisition price	\$1,740,000

The Company is required to issue the 2,000,000 shares by March 1, 2017. As at December 31, 2016 the shares had not been issued and the requirement to issue these shares has been classified as equity and labelled “Obligation to issue shares”. Although the agreement stipulates the per share value to be \$0.25 US, the cost has been recorded at \$.05, as it represents the fair value of the shares issued as the fair value of the contract cannot be estimated reliably.

The promissory note is to be paid as follows:

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

The \$25,000 due at signing was paid and the second \$25,000 US payment was made in January, 2017.

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. \$6,700 (\$5,000US) was paid in December, 2016.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

5. Technology rights acquisition (Cont'd)

The full rights to the technology are to be acquired for another \$3,000,000 in a separate agreement with Iberian, signed December 19, 2016. The price is to be paid as follows:

- a) The issue of 28,000,000 common shares valued at \$1,400,000 or \$0.05 per share, and
- b) Cash of \$1,600,000. The cash is subject to a 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.

This transaction is subject to the approval of the Company's shareholders and the TSX-V and, accordingly, has not yet been recorded in the accounts.

Amortization will commence once the technology has been legally acquired.

6. Due to related party

Amounts due to related party represent advances owing to Iberian that are unsecured, non-interest bearing and without specified repayment terms.

7. Promissory note payable

The promissory note payable was incurred in the acquisition of technology from Mohave and Scott and is described in Note 5. The note is non-interest bearing, unsecured and due prior to June 1, 2017. The balance outstanding as at December 31, 2016 is \$302,108 (\$225,000 US.)

8. Advance royalty payable

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

Note payable of \$1,335,987 (\$995,000 US).	
Current portion – 12 payments of \$5,000 US	\$ 80,562
Long term portion – balance of \$935,000 US	\$ 1,255,425

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.

9. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

9. Share Capital – cont'd

Issued share capital

There are 9,000,000 shares issued and outstanding as at December 31, 2016. The transactions giving rise to these shares during the period from incorporation, October 21, 2016 to December 31, 2016 are as follows:

- On incorporation, October 21, 2016 – 1 share was issued at \$1.00.
- On December 13, 2016 – 9,000,000 shares were issued at a price of \$0.05 per share.
- On December 13, 2016 – the initial 1 share was returned for cancellation.

There are no options or warrants issued or outstanding as at December 31, 2016.

10. Related party transactions

The Company considers officers and members of the Board of Directors as related parties. The Company's directors receive no compensation for their services but receive reimbursement for out-of-pocket expenses to perform their Board of Directors duties. Key Management costs for the period ended December 31, 2016 was \$10,231 and represents salary to the CEO, who is also a director.

11. Commitments

As part of the acquisition of technology right described in Note 5, once shareholder and regulatory approval has been received, the Company will have the following commitments to Iberian:

- a) The issue of 28,000,000 common shares valued at \$1,400,000 or \$0.05 per share, and
- b) Cash payment of \$1,600,000. The cash is subject to a 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.

12. Management of capital

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

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

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

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

13. 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, 2016, the carrying values of cash, receivables, accounts payable and accrued liabilities and promissory note payable approximate their fair values due to their short terms to maturity. Advance royalty payable is carried at amortized cost.

Financial risks

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

- Credit risk
- Liquidity risk
- Market risk

Credit risk

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

Liquidity risk

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

As at December 31, 2016, the Company had a cash balance of \$405,969 to settle current liabilities of \$508,821. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding

ENVIROLEACH TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

13. Financial risk management – cont'd

Market risk

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

a) Interest and foreign exchange risk

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

b) Price risk

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

14. Supplemental disclosure with respect to cash flows

During the period ended December 31, 2016, the significant non-cash transactions were as follows:

- a) The Company issued a note payable of \$328,000 (\$250,000US) of which \$33,248 (\$25,000US) was paid during the period. As the note was for the purchase of technology, the payment is included in amounts invested in technology
- b) The Company issued a second note payable of \$1,312,000 (\$1,000,000 US) of which was \$6,700 (\$5,000US) was paid during the period. As the note was for the purchase of technology, the payment is included in amounts invested in technology
- c) During the period, the amount owing, on the above two notes stated in Canadian dollars increased by \$38,042 as a result of a decrease in the value of the Canadian dollar compared to the US dollar.

15. Segment 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 FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
From Inception, October 21, 2016 to December 31, 2016

16. 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:

	December 31, 2016
Net loss for the period	\$ (139,618)
Expected income tax recovery	(38,000)
Benefits from tax loss incurred during the period not recognized	38,000
Income tax recovery	\$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2016
Non-capital losses	\$ 38,000
Unrecognized deferred tax asset	\$ 38,000

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:

	December 31, 2016	Expiry Range
Temporary Differences		
Cumulative eligible capital	\$ 30,000	No expiry date
Non-capital losses available for future periods	\$ 140,000	to 2036