Interim Condensed Consolidated Financial Statements

Environmental Waste International Inc.

For the six months ended June 30, 2021, and 2020

(Unaudited)

Environmental Waste International Inc.

Interim condensed consolidated statements of financial position

[Expressed in Canadian dollars]

[Unaudited]

As at	Note	June 30, 2021 $	December 31, 2020 $
Assets			
Current			
Cash		**375,423**	619,721
Trade and other receivables		**25,987**	63,403
Government remittances recoverable		**167,859**	59,452
Prepaid expenses and sundry		**108,990**	51,387
		678,259	793,963
Assets held for sale	5	**2,615,236**	—
Total current assets		**3,293,495**	793,963
Property and equipment, net	6	**29,143**	1,007,006
Right-of-use asset	7	**133,094**	148,010
		3,455,732	1,948,979
Liabilities and shareholders' deficiency			
Current			
Accounts payable and accrued liabilities	14b	**495,289**	436,294
Provisions	8	**13,900**	39,600
Current portion of lease liability	7	**18,500**	14,285
Current portion of promissory note payable	9c	**1,101,775**	1,077,904
Current portion of term loan payable	9b	**316,156**	2,230,344
Current portion of mortgages payable	9e	**—**	2,253
Contract liability		**45,880**	63,515
Deferred compensation	9f	**278,505**	—
Derivative liability	9d	**507,616**	757,295
		2,777,621	4,621,490
Liabilities directly associated with the assets held for sale	5	**2,602,300**	—
Total current liabilities		**5,379,921**	4,621,490
Lease liability	7	**127,698**	134,351
CEBA loans payable	9a	**105,622**	67,475
Mortgage payable	9e	**—**	493,093
Deferred compensation	9f	**—**	430,000
Total liabilities		**5,613,241**	5,746,409
Shareholders' deficiency			
Capital stock	10a	**56,129,455**	54,481,040
Contributed surplus	10d	**6,756,237**	6,760,615
Deficit		**(66,027,140)**	(65,039,085)
Shareholders' deficiency attributable to equity holders of the parent		**(3,141,448)**	(3,797,430)
Non-controlling interests	11	**983,939**	—
Total shareholders' deficiency		**(2,157,509)**	(3,797,430)
		3,455,732	1,948,979

Going concern	3
Commitment and contingencies	15
Subsequent events	20

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

Environmental Waste International Inc.

Interim condensed consolidated statements of income (loss) and comprehensive income (loss)

[Expressed in Canadian dollars]
[Unaudited]

	Note	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Revenue		**36,153**	23,873	**59,971**	65,695
Expenses					
Technology development	13	**417,833**	163,826	**484,442**	241,131
Selling, marketing and administration	13	**235,144**	159,552	**363,482**	373,366
Stock-based compensation	10b	**36,540**	41,301	**72,389**	76,707
Depreciation of property and equipment	6	**1,644**	575	**2,778**	1,151
Amortization of right-of-use asset	7	**7,504**	8,586	**14,916**	17,172
		698,665	373,840	**938,007**	709,527
Operating loss		**(662,512)**	(349,967)	**(878,036)**	(643,832)
Other income (expenses)					
Gain on recognition of interest-free loans	9a	**—**	**—**	**6,254**	—
Finance costs	9g	**(44,629)**	(92,659)	**(95,777)**	(206,449)
Foreign exchange gain (loss)		**(27,911)**	49,787	**(28,008)**	28,545
Change in fair value of derivative	9d	**532,767**	(222,530)	**249,679**	1,003,290
		460,227	(265,402)	**132,148**	825,386
Net income (loss) and comprehensive income (loss) for the period from continuing operations		**(202,285)**	(615,369)	**(745,888)**	181,554
Net loss and comprehensive loss for the period from discontinued operations	5	**(162,807)**	(58,730)	**(258,228)**	(148,767)
Net income (loss) and comprehensive income (loss) for the period		**(365,092)**	(674,099)	**(1,004,116)**	32,787
Net loss and comprehensive loss attributable to non-controlling interests	11	**(15,637)**	—	**(16,061)**	**—**
Net income (loss) attributable to equity holders of the parent		**(349,455)**	(674,099)	**(988,055)**	32,787
Income (loss) per share from continuing operations – basic		**(0.001)**	(0.003)	**(0.003)**	0.001
Income (loss) per share from continuing operations – diluted		**(0.001)**	(0.003)	**(0.003)**	0.001
Loss per share from discontinued operations – basic		**(0.001)**	(0.000)	**(0.001)**	(0.001)
Loss per share from discontinued operations – diluted		**(0.001)**	(0.000)	**(0.001)**	(0.001)
Weighted average number of shares outstanding					
basic		**251,645,964**	214,424,274	**249,620,090**	214,390,461
diluted		**251,645,964**	214,424,274	**249,620,090**	251,390,362

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

Environmental Waste International Inc.

Interim condensed consolidated statements of changes in shareholders' deficiency

[Expressed in Canadian dollars]
[Unaudited]

Six months ended June 30, 2021 and 2020

	Note	Capital Stock #	Capital Stock $	Contributed surplus $	Deficit $	Total attributable to equity holders of the parent $	Non-controlling interests $	Total $
Balance, December 31, 2019		214,356,649	50,611,761	6,492,500	(62,621,881)	(5,517,620)	—	(5,517,620)
Stock-based compensation	10b	—	—	76,707	—	76,707	—	76,707
Issuance of shares pursuant to private placement	10a	6,153,846	211,921	—	—	211,921	—	211,921
Issuance of warrants pursuant to private placement	10a	—	—	188,079	—	188,079	—	188,079
Share issue costs	10a	—	(5,893)	—	—	(5,893)	—	(5,893)
Net income and comprehensive income for the period		—	—	—	32,787	32,787	—	32,787
Balance, June 30, 2020		**220,510,495**	**50,817,789**	**6,757,286**	**(62,589,094)**	**(5,014,019)**	**—**	**(5,014,019)**
Stock-based compensation	10b	—	—	81,909	—	81,909	—	81,909
Issuance of shares on conversion of convertible loan	10a	25,114,037	3,449,114	—	—	3,449,114	—	3,449,114
Stock options exercised	10a	1,548,308	223,116	(75,284)	—	147,832	—	147,832
Share issue costs	10a	—	(8,979)	(3,296)	—	(12,275)	—	(12,275)
Net loss and comprehensive loss for the period		—	—	—	(2,449,991)	(2,449,991)	—	(2,449,991)
Balance, December 31, 2020		**247,172,840**	**54,481,040**	**6,760,615**	**(65,039,085)**	**(3,797,430)**	**—**	**(3,797,430)**
Stock-based compensation	10b	—	—	72,389	—	72,389	—	72,389
Issuance of shares pursuant to private placement	10a	4,110,000	1,233,000	—	—	1,233,000	—	1,233,000
Issuance of shares pursuant to settlement of debt	9f, 10a	677,083	162,500	—	—	162,500	—	162,500
Stock options exercised	10b	1,436,638	205,969	(65,621)	—	140,348	—	140,348
Warrants exercised	10c	250,000	61,146	(11,146)	—	50,000	—	50,000
Issuance of shares in Ellsin Environmental Ltd.	5, 11	—	—	—	—	—	1,000,000	1,000,000
Share issue costs	10a	—	(14,200)	—	—	(14,200)	—	(14,200)
Net loss and comprehensive loss for the period		—	—	—	(988,055)	(988,055)	(16,061)	(1,004,116)
Balance, June 30, 2021		**253,646,561**	**56,129,455**	**6,756,237**	**(66,027,140)**	**(3,141,448)**	**983,939**	**(2,157,509)**

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

Environmental Waste International Inc.

Interim condensed consolidated statements of cash flows

[Expressed in Canadian dollars]
[Unaudited]

	Note	Six months June 30, 2021 $	Six months June 30, 2020 $
Operating activities			
Net income (loss) from continuing operations for the period		**(745,888)**	181,554
Add items not involving cash			
Stock-based compensation	10b	**72,389**	76,707
Depreciation of property and equipment	6	**2,778**	1,151
Amortization of right-of-use asset	7	**14,916**	17,172
Finance costs	9g	**95,777**	206,449
Gain on recognition of interest-free loan	9a	**(6,254)**	—
Accretion expense	9a, 9g	**4,402**	—
Change in fair value of derivative	9d	**(249,679)**	(1,003,290)
		(811,559)	(520,257)
Changes in non-cash working capital balances related to continuing operations			
Trade and other receivables		**37,400**	17,466
Government remittances recoverable		**(108,407)**	47,331
Prepaid expenses and sundry		**(57,603)**	4,067
Accounts payable and accrued liabilities		**273,145**	93,677
Provisions		**(25,700)**	(21,000)
Contract liability		**(17,635)**	(50,006)
		101,200	91,535
Cash used in operating activities from continuing operations		**(710,359)**	(428,722)
Cash from (used in) operating activities from discontinued operations	5	**221,418**	(36,941)
Cash used in operating activities		**(488,941)**	(465,663)
Investing activities			
Purchase of property and equipment	6	**(15,121)**	—
Cash used in investing activities from discontinued operations	5	**(518,913)**	—
Cash used in investing activities		**(534,034)**	—
Financing activities			
Proceeds from loans payable	9a	**40,000**	80,000
Proceeds from exercise of stock options	10b	**140,348**	394,107
Proceeds from exercise of warrants	10c	**50,000**	—
Share issue costs		**(14,200)**	—
Repayments of mortgage payable	9e	—	(4,822)
Repayments of lease obligations	7	**(2,438)**	(17,141)
Cash provided by (used in) financing activities from continuing operations		**213,710**	452,144
Cash provided by (used in) financing activities from discontinued operations	5	**564,967**	(13,694)
Cash provided by financing activities		**778,677**	452,144
Net decrease in cash during the period		**(244,298)**	(13,519)
Cash, beginning of period		**619,721**	885,591
Cash, end of period		**375,423**	872,072
Non-cash transactions			
Issuance of shares pursuant to settlement of debt	9f, 10a	**162,500**	—

Notes to interim condensed consolidated financial statements

For the three and six months ended June 30, 2021 and 2020
(Unaudited)

1. Corporate information

Environmental Waste International Inc. ["EWI" or the "Company"] was incorporated under the *Ontario Business Corporations Act* on October 31, 1987. The Company's business is the design, development and sale of environmentally sound devices utilizing EWI's patented Reverse Polymerization process and dealing with environmental waste disposal, including the development, advancement, licensing and sale of its technology and related machines throughout the world. The interim, condensed, consolidated financial statements of EWI were authorized for issue in accordance with a resolution of the Board of Directors on August 26, 2021. The Company's registered office is located at 1751 Wentworth Street, Unit 1, Whitby, Ontario, L1N 8R6.

2. Basis of preparation and statement of compliance

The unaudited interim condensed consolidated financial statements of EWI have been prepared in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" {IAS 34}. The notes presented in these unaudited interim consolidated financial statements include only significant events and transactions occurring since the last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited consolidated financial statements. The policies applied in these unaudited interim condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These interim condensed consolidated financial statements have been prepared on a historical cost basis. These unaudited interim condensed consolidated financial statements are presented in Canadian dollars.

3. Going concern assumption

These unaudited interim condensed consolidated financial statements have been prepared on a basis that assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These unaudited interim condensed consolidated financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company incurred a net loss of $1,004,116 during the six months ended June 30, 2021 and, as at that date, had working capital deficiency for of $2,086,426 [December 31, 2020 – $3,827,527] and a cumulative deficit of $66,027,140 [December 31, 2020 – $65,039,085].

Recurring sources of revenue have not yet proven to be sufficient as the commercialization of the Company's core technology is at an early stage and the Company has not yet achieved a level of profitability and positive cash flows. While the Company has been successful in raising additional financing and extending the repayment terms for its terms loan payable subsequent to the end of the period *[note 20b]*, it will require additional financing to enable it to continue operations. In the absence of additional financing, the Company is not expected to have sufficient funds to meet its obligations. Management continues to monitor cash needs and is considering various alternatives to raise additional financing. There can be no assurances that the Company will be able to secure the necessary financing to enable it to continue as a going concern. The factors noted above indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. If the going concern basis is not appropriate, material adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities.

4. Summary of significant accounting policies

The Company's principal accounting policies were outlined in the Company's annual audited consolidated financial statements for the year ended December 31, 2020 and have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2020. New accounting policies for matters that have occurred subsequent to December 31, 2020, are included below.

4. Summary of significant accounting policies – continued

Basis of consolidation

The unaudited interim condensed consolidated financial statements include the accounts of the Company and the following subsidiaries at the following ownership percentages: Environmental Waste Management Corporation [100%], Jaguar Carbon Sales Limited [100%], Ellsin Environmental Ltd. [90% at June 30, 2021, 100% at December 31, 2020], EWI Rubber Inc. [100%] and 2228641 Ontario Limited [100%].

Assets held for sale and discontinued operations

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts principally through a sale transaction rather than through continuing use. The Company measures assets or disposal groups at the lower of their carrying amount and fair value, less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs.

To meet the criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. The Company must be committed to a plan to sell the assets or disposal group and the sale should be expected to be completed within one year from the date of classification. Property and equipment are not depreciated, depleted, or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items on the statements of financial position. Comparative period statements of financial position are not restated.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. Operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies an operation as a discontinued operation, it represents the comparative statement of loss and comprehensive loss as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results for the discontinued operations and any gain or loss from disposal from the statement of loss and comprehensive loss from continuing operations and presents them on a separate line as profit or loss from the discontinued operation. Per share information and changes to other comprehensive loss related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the statements of cash flows.

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Company, but may impact future periods should the company enter into any business combinations.

4. Summary of significant accounting policies – continued

COVID-19 Related Rent Concessions – Amendment to IFRS 16 Leases

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Company.

5. Discontinued operations

On March 22, 2021, the Company entered into an agreement with Torreco Inc. ("Torreco"), a private Ontario corporation, whereby that entity will invest $7,000,00 in Ellsin Environmental Ltd. ("Ellsin") to convert Ellsin's pilot plant in Sault Ste. Marie into a commercial scale recycling plant utilizing the Company's patented microwave technology. Following the receipt of all of the committed Torreco funds, Torreco will own 70% of Ellsin and the Company will retain a 30% ownership interest in Ellsin. Under the agreement, the Company will also receive a royalty in perpetuity on the revenue generated from the sale of commodities produced from its tire recycling process. In exchange for the investment in Ellsin, the Company will grant Torreco the right to build three additional waste tire facilities in Ontario over the next five years if it meets certain conditions. The initial proceeds of $400,000 were received on March 19, 2021, and an additional $600,000 was received on April 7, 2021.

As a result of the Company having committed to an agreement and plan involving loss of control of Ellsin, the operating results and assets and liabilities of Ellsin have been presented in the unaudited interim condensed consolidated financial statements as a discontinued operation.

The following table summarizes the total assets held for sale and associated liabilities of Ellsin at June 30, 2021:

As at	**June 30, 2021**
	$
Assets	
Cash	1,042,540
Other receivables	24,952
Government remittances recoverable	446
Prepaid expenses and sundry	55,751
Construction in progress	518,913
Property and equipment, net	972,634
Total assets directly associated with assets held for sale	**2,615,236**

Notes to interim condensed consolidated financial statements

For the three and six months ended June 30, 2021, and 2020

5. Discontinued operations – continued

As at	June 30, 2021
	$
Liabilities	
Accounts payable and accrued liabilities	50,140
Term loan payable	2,046,908
Mortgage payable	505,252
Total liabilities directly associated with assets held for sale	**2,602,300**

The results of Ellsin classified as discontinued operations for the three and six months ended June 30, 2021, and 2020 are as follows:

	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
	$	$	**$**	$
Expenses				
Plant operations	**67,767**	38,680	**132,189**	108,668
Depreciation of property and equipment	**-**	20,050	**17,571**	40,099
Operating loss from discontinued operations	**(67,767)**	(58,730)	**(149,761)**	(148,767)
Financing costs	**12,568**	-	**24,905**	-
Loss on modification of loan	**82,472**	-	**82,472**	-
Accretion expense	**-**	-	**1,090**	-
Net loss and comprehensive loss from discontinued operations	**(162,807)**	(58,730)	**(258,228)**	(148,767)
Loss per share from discontinued operations – basic and diluted	**(0.001)**	(0.000)	**(0.001)**	**(0.001)**

Due to accumulated net losses in Ellsin, there is no income tax expense recorded in respect of the discontinued operations.

Notes to interim condensed consolidated financial statements

For the three and six months ended June 30, 2021, and 2020

5. Discontinued operations – continued

The net cash flows incurred by Ellsin are as follows:

	Note	**Six months ended June 30, 2021** $	Six months ended June 30, 2020 $
Operating activities			
Net loss from discontinued operations for the period		**(258,228)**	(148,767)
Add items not involving cash			
Depreciation of property and equipment, discontinued operations	6	**17,571**	40,099
Finance costs, discontinued operations	9e	**24,905**	—
Combined modification loss loan		**82,472**	—
Accretion expense, discontinued operations	9a	**1,090**	—
		126,038	40,099
Changes in non-cash working capital balances related to discontinued operations			
Trade and other receivables		**(24,952)**	3
Government remittances recoverable		**(446)**	—
Prepaid expenses and sundry		**(20,701)**	—
Accounts payable and accrued liabilities		**399,707**	71,724
		353,607	71,726
Cash provided by (used in) operating activities		**221,418**	(36,941)
Investing activities			
Construction in progress		**(518,913)**	—
Cash used in Investing activities		**(518,913)**	—
Financing activities			
Proceeds from issuance of shares in Ellsin Environmental Ltd.	11	**1,000,000**	—
Cash when Ellsin Environmental Ltd. recognized in discontinued operations		**(420,033)**	—
Repayment of loan		**(15,000)**	(13,694)
Cash provided by (used in) financing activities		**564,967**	(13,694)
Net cash inflow (outflow)		**267,472**	(50,635)

6. Property and equipment

Property and equipment consist of the following:

	Land	Building	Leasehold improvements	Fixtures	Computer equipment	Office equipment	Equipment – gas engine	Total
	$	$	$	$	$	$	$	$
Cost								
As at December 31, 2019	68,261	984,994	-	71,060	36,725	38,566	719,169	1,918,775
Additions	-	-	9,185	-	-	-	-	9,185
As at December 31, 2020	**68,261**	**984,994**	**9,185**	**71,060**	**36,725**	**38,566**	**719,169**	**1,927,960**
Additions	-	-	8,010	-	7,111	-	-	15,121
Assets held for sale	(68,261)	(984,994)	-	(71,060)		(3,440)	(719,169)	(1,846,924)
As at June 30, 2021	**-**	**-**	**17,195**	**-**	**43,836**	**35,126**	**-**	**96,157**
Accumulated depreciation								
As at December 31, 2019	-	301,339	-	42,633	35,767	28,695	429,867	838,301
Depreciation	-	27,346	153	4,737	325	2,147	47,945	82,653
As at December 31, 2020	**-**	**328,685**	**153**	**47,370**	**36,092**	**30,842**	**477,812**	**920,954**
Depreciation	-	5,834	1,453	1,056	338	924	10,745	20,350
Assets held for sale	-	(334,519)	-	(48,426)	-	(2,788)	(488,557)	(874,290)
As at June 30, 2021	**-**	**-**	**1,606**	**-**	**36,430**	**28,978**	**-**	**67,014**
Net book value								
As at December 31, 2020	68,261	656,309	9,032	23,690	633	7,724	241,357	1,007,006
As at June 30, 2021	**-**	**-**	**15,589**	**-**	**7,406**	**6,148**	**-**	**29,143**
Net book value allocated to assets held for sale, as at June 30, 2021:								
Assets held for sale (note 5)	**68,261**	**650,475**	**-**	**22,634**	**-**	**652**	**230,612**	**972,634**

7. Lease assets and liabilities

The Company leases its head office premises. On December 1, 2020, the head office was moved from Ajax, Ontario to Whitby, Ontario and the Company signed a new lease for a term of five years.

The following tables present the right-of-use assets and liabilities at June 30, 2021 and December 31, 2020:

	$
Balance, January 1, 2020	91,587
Addition	150,566
Write off due to termination of lease	(60,104)
Amortization	(34,039)
Balance, December 31, 2020	**148,010**
Amortization	(14,916)
Balance June 30, 2021	**133,094**

7. Lease assets and liabilities – continued

	$
Balance, January 1, 2020	84,705
Addition	150,566
Write off due to termination of lease	(57,099)
Interest expense on lease obligation	4,909
Rent payments	(34,445)
Balance, December 31, 2020	**148,636**
Interest expense on lease obligations	6,626
Rent payments	(9,064)
Balance, June 30, 2021	**146,198**

	$
Current portion	18,500
Non-current portion	127,698
Balance, June 30, 2021	**146,198**

On December 1, 2020, the Company recorded a new right-of-use asset and lease obligation for $150,566. As part of the new lease agreement, the first three months of the lease are rent free. When measuring the lease obligation, the Company discounted the lease payments using the implicit rate in the lease which is 9% per annum. Amortization of right-of-use asset is calculated using the straight-line method over their estimated useful life of term of the lease.

The following table presents the contractual undiscounted cash flows for lease obligation as at June 30, 2021:

	$
Year 1	21,300
Year 2	38,220
Year 3	40,033
Year 4	41,845
Year 5	39,882
Total undiscounted lease obligation	181,280

8. Provisions

	June 30, 2021	December 31, 2020
	$	$
Balance, beginning of period	**39,600**	81,600
Paid during the period	**(25,700)**	(42,000)
Balance, end of period	**13,900**	39,600

The provision balance consists of an accrual of one year's annual salary to a former CEO of the Company. In March 2017, a claim was settled for $255,000 payable over 25 months in equal installments of $10,200. No payments were made in 2019 based on a verbal agreement between the parties. In December 2019, the parties signed an agreement to reduce the monthly installments to $3,500 per month during an interim period until the Company receives a down payment from a customer to build its first commercial plant. At that time, the Company will resume original installments and any monies paid during the interim period will reduce the number of remaining payments or final payment amount. During the six months ended June 30, 2021, the Company paid $25,700 representing and adjusted amount of $4,285 per month as agreed to by both parties

9. Loans and borrowings

[a] CEBA loans payable consist of the following:

	June 30, 2021	December 31, 2020
	$	$
Loans payable at fair value at inception	97,047	63,301
Accumulated accretion expense	8,575	4,174
	105,622	**67,475**

On April 30, 2020, the Company received proceeds of $80,000 pursuant to the Canadian federal government under Government sponsored Canada Emergency Business Account ("CEBA") as a business support measure for COVID-19. EWI and its subsidiary EWI Rubber Inc. ("EWI Rubber") each received a $40,000 loan.

On January 22, 2021, the Company received additional proceeds totaling $40,000. EWI and EWI Rubber each received an additional $20,000 on their original $40,000 CEBA loans, bringing their total CEBA loan balances to $60,000 each ($120,000 in aggregate).

9. Loans and borrowings – continued

No principal repayments are required until December 2022. Repayment of $40,000 of each of the loans ($80,000 in aggregate) on or before December 31, 2022 will result in loan forgiveness of $20,000 on each of the loans ($40,000 in aggregate). After 2022, any remaining balances will be converted to a three-year term loan at a 5% interest rate.

On April 30, 2020, the Company recorded the fair value of the initial $80,000 of CEBA loan advances at $63,301, using an effective annual interest rate of 10%. The difference of $16,699 between the fair value and the total amount of proceeds received of $80,000 was recorded as gain on recognition of interest-free loan on inception under IFRS 9 during the second quarter of 2020. On January 22, 2021, the Company recorded the fair value of the additional $40,000 of CEBA loan advances at $33,746 using the same annual effective interest rate. The difference of $6,254 between the fair value and total amount of proceeds received of $40,000 was recorded as a gain on recognition of interest-free loan during the Six months ended June 30, 2021.

During the Six months ended June 30, 2021, the Company recorded $4,402 of accretion expense associated with the CEBA loans (2020 – $nil).

[b] Term loan payable consists of the following:

	June 30, 2021 $	31, 2020 $
Fixed rate, non-revolving $2,000,000 term loan from Northern Ontario Heritage Fund Corporation ["NOHFC"], with interest at 4% per annum, due January 1, 2029.	**2,230,344**	2,266,998
Less: (gain)/loss on modification of loan	**82,472**	(40,284)
	2,312,816	2,226,714
Interest expense	**48,068**	-
Accretion expense	**2,180**	3,630
	2,363,064	2,230,344
Transferred to liabilities directly associated with assets held for sale	**(2,046,908)**	-
	316,156	2,230,344
Less: current portion	**316,156**	2,230,344
	-	-

This term loan is between the NOHFC and Ellsin, which owns the Company's waste tire facility in Sault Ste. Marie including land, building and equipment. In May 2017, Ellsin repaid the NOHFC $339,762 representing all unpaid and accrued interest at that date. During 2018 and 2019 no principal payments were made and Ellsin continued to accrue interest on the outstanding principal of the loan, compounded monthly.

9. Loans and borrowings – continued

On February 4, 2020, Ellsin and NOHFC signed a fourth amendment to the loan agreement which deferred the catch-up interest payment to April 1, 2020, with go-forward and catch-up interest payments only to start May 1, 2020 and blended payments to start July 1, 2021.

With the onset of the COVID-19 pandemic in March 2020, Ellsin obtained approval from NOHFC to delay the April 1, 2020 interest catch-up payment and interest payments for six months from April 1 to September 30, 2020. NOHFC agreed to waive interest for these six months and to extend the maturity date of the loan by six months. No payments were made by Ellsin from October 1 to December 31, 2020. Due to the changes in payment terms in the fourth amendment as well as the deferral of six months payments including waiving interest for that period, Ellsin recorded a gain on modification of debt of $40,284 in the year ended December 31, 2020.

On March 22, 2021, Ellsin entered into an agreement with Torreco *[note 5, 11]* to expand and modernize the plant in Sault Ste. Marie. Ellsin renegotiated the repayment terms with NOHFC to defer catch-up interest and go-forward interest and principal payments in order to ensure that the plant is fully operational while not placing a financial burden on Ellsin early in the commercialization phase.

On June 1, 2021, Ellsin and NOHFC signed a fifth amendment to the loan agreement which amended the repayment terms of the term as follows:

- Previously accrued and unpaid interest, and additional interest accruing up to and including August 31, 2021, is to be paid in full no later than August 31, 2021;
- Interest only payment must be made on monthly basis from August 31, 2021 to May 31, 2022
- Blended payments based on a 5-year amortization will commence on June 1, 2022, and
- NOHFC will obtain a corporate guarantee and postponement of claim, supported by a general security agreement from the new majority shareholder of Ellsin [Torreco, *note 11]*.

As part of this agreement, EWI will maintain responsibility for the payment of interest presently accrued under the term loan. The Company recorded loss on modification of debt of $82,472 for the six months ended June 30, 2021.

The amount of interest accrued at June 30, 2021 was $315,066 [December 31, 2020 – $266,998]. During the six months ended June 30, 2021, the Company recorded interest expense of $48,068 (2020 – $22,717) and accretion expense of $2,180 (2020 – $nil).

Ellsin is the holder of this term loan, and as such, the fair value of $2,046,908 representing the principal portion of $2,000,000 plus loss on modification of loan of $40,284 plus accrued accretion expense of $6,624, has been transferred to liabilities directly associated with assets held for sale on March 22, 2021 *[note 5].* Accrued interest in the amount of $316,156 representing interest accrued from May 2017 to June 30, 2021 continues to be an obligation of the parent company, EWI, as agreed to by NOHFC, Ellsin and EWI.

9. Loans and borrowings – continued

[c] Promissory note payable consists of the following:

	June 30, 2021	December 31, 2020
	$	$
Promissory note payable, with interest at 6% per annum, principal and accrued interest payments payable on July 15, 2021	**1,101,775**	1,077,904
Less: current portion	**1,101,775**	1,077,904
	-	-

In 2017, the Company received net proceeds of $903,000 from a director in the form of a promissory note which bears interest at 6%. The principal balance was increased, and at August 31, 2019, the total amount including principal and interest owing was $1,710,000. On September 16, 2019, the parties agreed to settle $710,000 of the total amount owing by issuing 14,200,000 common shares of the Company at $0.05 and amending the promissory note agreement to decrease the principal amount to $1,000,000 and to defer the maturity date from September 30, 2019 to July 15, 2021.

On May 24, 2021, the parties agreed to settle the total principal and interest owing of $1,101,775 by way of issuance of 4,590,729 common shares of the Company at $0.24. Pursuant to the TSX Venture Exchange ("TSXV"), this debt settlement required the approval of disinterested shareholders of the Company because the holder of this note, a Company owned by a director, will become a new control person of the Company since it will own over 20% of the Company's common stock. The Company obtained shareholder approval for this debt settlement at its annual and special shareholders' meeting held July 7, 2021.

Interest expense for the six months ended June 30, 2021, was $23,871 (2020 – $30,000).

[d] Convertible loan payable consists of the following:

	Convertible debt	**Conversion feature derivative liability**	**Warrant derivative liability**	**Total derivative liability**	**Total debt and derivative liability**
	$	$	$	$	$
As at January 1, 2020	1,356,852	1,834,999	188,794	2,023,793	3,380,645
Interest	71,480	-	-	-	71,480
Accretion expense	126,782	-	-	-	126,782
Loss on revaluation of derivatives	-	59,001	568,501	627,502	627,502
Conversion to share capital	(1,555,114)	(1,894,000)	-	(1,894,000)	(3,449,114)
As at December 31, 2020	**-**	**-**	**757,295**	**757,295**	**757,295**
Loss on revaluation of derivative	-	-	(249,679)	(249,679)	(249,679)
As at June 30, 2021	**-**	**-**	**507,616**	**507,616**	**507,616**

9. Loans and borrowings – continued

In 2017 the Company received proceeds of $1,350,000 through the issuance of a 5-year, 5% unsecured convertible loan payable which was convertible at a price of $0.11 per common share. In addition, the Company issued 3,712,500 common share purchase warrants that entitle the holder to receive one common share per warrant at a price of $0.11 for a period of five years.

On September 11, 2020, the debtholder converted the principal of $1,850,000 at a price of $0.08 per share, and the accrued interest of $268,521 at $0.135 per share per TSXV regulations, resulting in the issuance of an aggregate of 25,114,037 common shares. The associated conversion feature derivative liability was revalued at $1,894,000 at September 11, 2020 using the Monte Carlo simulation model resulting in a loss in value of $59,001.

The Monte Carlo simulation model used the following assumptions on September 11, 2020 as well as the probability of subsequent equity raises and expected issuance price: exercise price $0.10, daily volatility 12.084%, dividend yield 0%, risk free rate 0.26% and an expected life of 1.61 years. An exercise price of $0.10 per share was used based on the conversion price available to the holder of the note after September 16, 2020. This value as well as the carrying value of the convertible debt, which amounted to $3,449,114 in aggregate, was transferred to share capital upon conversion *[note 11a].* Costs of $12,275 relating to the conversion of debt were deducted from share capital.

This derivative liability is re-valued at each period end using the Monte Carlo simulation model, and the change in value is recorded as a gain or loss in the consolidated statement of loss and comprehensive loss. The residual balance that remains at March 31, 2021 represents the fair value of the derivative liability associated with 3,712,500 warrants that were issued with the debt on April 12, 2017.

The change in fair value of warrant derivative liability for the six months ended June 30, 2021 was a gain of $249,679 (2020 – gain of $1,003,290 on conversion feature and warrants). For the six months ended June 30, 2021, accretion expense was $nil (2020 – $88,107), and interest expense was $nil (2020 – $51,176).

The following is a summary of the cash value and accounting value for this financial instrument:

	As at June 30, 2021		As at December 31, 2020	
	Cash liability	**Accounting liability**	Cash liability	Accounting liability
	$	$	$	$
Convertible loan	-	830,388	1,850,000	830,388
Accrued interest	-	268,521	268,521	268,521
Accrued accretion expense	-	456,205	-	456,205
Conversion to share capital	-	(1,555,114)	(2,118,521)	(1,555,114)
Convertible loan liability	-	-	-	-
Derivative liability	-	2,401,616	-	2,651,295
Conversion to share capital	-	(1,894,000)	-	(1,894,000)
Derivative liability	-	507,616	-	757,295
Total liability	**-**	**507,616**	**-**	**757,295**

9. Loans and borrowings – continued

As at June 30, 2021, the difference between the cash liability and accounting liability of $507,616 (December 31, 2020 – $757,295) is a non-cash liability as it will be settled by the issuance of common shares of the Company if the warrants are exercised. It represents the fair value of the benefit conferred on the debtholder and does not represent a cash liability.

This derivative liability was re-valued at June 30, 2021 and December 31, 2020 using the Monte Carlo simulation model using the following assumptions, as well as the probability of subsequent equity raises and expected issuance price.

The terms for valuing the derivatives at each respective period-end are as follows:

	June 30, 2021 $	December 31, 2020 $
Volatility	173.2%	218.9%
Dividen Yield	0.0%	0.0%
Risk free rate	0.45%	20.0%

[e] Mortgage payable consists of the following:

	June 30, 2021 $	December 31, 2020 $
Fixed-rate mortgage, with principal due upon maturity on July 3, 2025, with interest at 6% per annum payable monthly and interest of 4% per annum due upon maturity	**500,000**	500,000
Accrued interest outstanding	**18,631**	10,379
Debt issue costs	**(16,687)**	(16,687)
Cumulative amortization of debt issue costs	**3,308**	1,654
	505,252	495,346
Less: current portion	**2,219**	2,253
	503,033	493,093

On July 3, 2020, Ellsin received gross proceeds of $500,000 from the issuance of a five-year mortgage with a third party, secured by land and a building owned by Ellsin in Sault Ste. Marie. The fair value of the mortgage was deemed to equal $500,000 based on the discounted cash flow using an estimated cost of borrowing of 9.16%. The loan matures on July 3, 2025 and bears interest at a rate of 10% per annum, 6% of which is paid monthly starting August 3, 2020 and 4% which is accrued and paid on maturity along with the principal. The 4% accrued interest can be paid in cash or common shares of the Company at the Company's option. As at June 30, 2021, the total value of the interest that may be repayable in shares was $20,000 (December 31, 2020 – $10,000).

Total interest expense on mortgages of $24,905 was recorded for the six months ended June 30, 2021 (2020 – $178).

9. Loans and borrowings – continued

Ellsin is the holder of this mortgage, and as such this loan has been classified as liabilities directly associated with assets held for sale on March 22, 2021 *[note 5].*

[f] Deferred compensation

	June 30, 2021	December 31, 2020
	$	$
Deferred compensation with interest at 6% per annum, calculated monthly in arrears, payable January 15, 2022	**400,000**	400,000
Accrued interest to May 24, 2021	**39,548**	11,836
	439,548	411,836
Transfer to share capital on settlement of debt, May,24 ,2021	**(162,500)**	-
	277,048	411,836
Accrued interest	**1,456**	18,164
	278,504	430,000
Less: current portion	**278,504**	
	-	430,000

On September 16, 2019, pursuant to a salary deferral agreement between the Company and a director and key member of management, $400,000 of salary and expenses owing was deferred. Interest accrues on this amount at 6% per annum calculated monthly in arrears and is payable at maturity.

On May 24, 2021, the Company entered into a debt conversion agreement to settle a portion of the deferred compensation liability. The debt conversion agreement is in respect of settlement of $162,500 pursuant to the salary and expense deferral agreement. This debt conversion provided for an aggregate of $162,500 of the deferred compensation liability to be settled through the issuance of common shares at a price equal to the higher of $0.23 or the volume weighted average trading price of the common shares for the ten (10) days following the date hereof. On June 16, 2021, 677,083 common shares were issued based at a price of $0.24 per share upon conversion of $162,500 of debt.

Total interest of $11,004 was recorded for the six months ended June 30, 2021 (2020 – $12,000).

Notes to interim condensed consolidated financial statements

For the three and six months ended June 30, 2021, and 2020

9. Loans and borrowings – continued

[g] Finance costs

Finance costs for the periods ended June 30, 2021, and 2020 are as follows:

	$	$	**$**	$
Interest on lease liabilities *[note 7]*	**3,302**	1,080	**6,626**	2,271
Interest on term loan *[note 9b]*	**23,421**	-	**48,068**	22,717
Interest on promissory note payable *[note 9c]*	**8,871**	15,000	**23,871**	30,000
Interest on convertible loan payable *[note 9d]*	**-**	25,588	**-**	51,176
Interest on deferred compensation *[note 9f]*	**5,004**	6,000	**11,004**	12,000
Other Interest expense	**716**	-	**717**	178
Accretion expense on CEBA loan payable *[note 9a]*	**2,225**	-	**4,402**	-
Accretion expense on convertible loan payable *[note 9d]*	**1,090**	44,991	**1,090**	88,107
	44,629	92,659	**95,777**	206,449

10. Share capital and reserves

[a] Share Capital

Authorized – Unlimited number of shares	**Number of shares**	**Amount**
Issued and outstanding:	**#**	$
Balance, January 1, 2020	**214,356,649**	50,611,761
Issuance of shares pursuant to private placement [1]	6,153,846	211,921
Issuance of shares pursuant to conversion of loan payable [2]	25,114,037	3,449,114
Stock options exercised [3]	1,548,308	223,116
Share issue costs	-	(14,872)
Balance, December 31, 2020	**247,172,840**	**54,481,040**
Issuance of shares pursuant to private placement	4,110,000	1,233,000
Stock options exercised (6)	1,436,638	205,969
Issuance of shares pursuant to settlement of debt	677,083	162,500
Warrant exercised (7)	250,000	61,146
Share issue costs	-	(14,200)
Balance, June 30, 2021	**253,646,561**	**56,129,455**

10. Share capital and reserves – continued

[1] On June 30, 2020 the Company closed a private placement and issued 6,153,846 units for gross proceeds of $400,000. Each unit included one common shares at a price of $0.65, and one warrant with an exercise price of $0.18 expiring on June 30, 2025. The fair value of these warrants of $184,783 inclusive of transaction costs of $3,296 was allocated to contributed surplus. Associated share issue costs of $2,597 attributable to share capital were adjusted against share capital.

[2] On September 11, 2020, the loan payable $1,850,0000 and accrued interest of $268,521 was converted into common shares of the Company. The principal amount of the loan was converted at a price of $0.08 per share and the accrued interest was convertible at $0.135 per share, resulting in the issuance of an aggregate of 25,114,037 common shares. The amount of $3,449,114 representing the principal, accrued interest and value of the derivative liability at the date of conversion was transferred to share capital *[note 9d].* Associated share issue costs of $12,275 were adjusted against share capital.

[3] During the year ended December 31, 2020, the Company received total proceeds of $147,832 for the issuance of a total of 1,548,308 common shares as a result of stock options exercised at a price in the range of $0.06 to $0.11. An amount of $75,284 related to the options exercised was transferred from contributed surplus to share capital.

[4] On April 23, 2021, the Company closed a private placement and issued 4,110,000 common shares at $0.30 per share for gross proceeds of $1,233,000.

[5] On May 24, 2021, the Company settled a portion of the deferred compensation liability in the amount of $162,500 through the issuance of 677,083 common shares at a price of $0.24 per share, and incurred $14,200 of share issue costs. *[note 9f]*

[6] During the six months ended June 30, 2021, the Company received total proceeds of $140,348 for the issuance of a total of common shares as a result of stock options exercised at a price in the range of $0.06 to $0.11. An amount of $65,621 related to the options exercised was transferred from contributed surplus to share capital.

[7] During the six months ended March 31, 2021, the Company received total proceeds of $50,000 for the issuance of a total of 250,000 common shares as a result of warrants exercised at a price of $0.20. An amount of $11,146 related to the warrants exercised was transferred from contributed surplus to share capital.

The Board of Directors has established a stock option plan [the “Plan”] under which options to purchase shares are granted to directors, employees, officers and consultants of the Company. The number of options and exercise price thereof is set by the Board of Directors at the time of grant, provided that the exercise price shall not be less than the market price of the common shares on the day immediately preceding the date of grant of the options, on the stock exchange on which such shares are then traded.

Subject to the guidelines contained in the Plan, the Company has adopted a 10% rolling stock option plan dated May 6, 2013 and approved by the Board of Directors on May 9, 2013 and by the shareholders of the Company on June 11, 2013, pursuant to which the Board of Directors may, from time to time, authorize the issuance of options to directors, employees, officers and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares at the time of the grant.

10. Share capital and reserves – continued

The following options to purchase shares were outstanding on June 30, 2021, and December 31, 2020:

	June 30, 2021		December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	$	#	$
Outstanding, beginning of period	11,210,442	0.08	12,788,750	0.10
Granted	400,000	0.26	3,905,000	0.05
Expired	-	-	(3,935,000)	(0.10)
Exercised	(1,436,638)	(0.10)	(1,548,308)	(0.10)
Outstanding, end of period	10,173,804	0.08	11,210,442	0.08
Exercisable, end of period	4,842,729	0.09	4,359,080	0.08

During the six months ended June 30, 2021, 1,436,638 stock options were exercised at prices ranging from $0.06 to $0.11 for total proceeds of $140,348.

On June 1, 2021 400,000 stock options were issued to employees and consultants of the Company with an exercise price of $0.26 which vest over three years and expire in five years.

During the year ended December 31, 2020, the Company granted 3,905,000 stock options to directors, officers, employees and consultants with an exercise price of $0.05 which vest over three years and expire in five years.

During the year ended December 31, 2020, 3,935,000 options with an exercise price of $0.10 expired.

During the year ended December 31, 2020, a total of 1,548,308 stock options were exercised at prices ranging from $0.06 to $0.11 for total proceeds of $147,832.

Stock-based compensation expense during the six months ended June 30, 2021 was $72,389 [2020 – $76,707].

A summary of stock options outstanding as at June 30, 2021 is set out below:

		Outstanding stock options		
As at June 30, 2021 of exercise prices	Range	Number of options	Remaining contractual life	Weighted average exercise price
$		#	[years]	$
0.05		3,905,000	3.93	0.05
0.06		2,773,386	3.15	0.06
0.10		2,432,917	1.66	0.10
0.18		662,500	2.76	0.18
0.26		400,000	4.92	0.26
		10,173,803	2.67	0.08

10. Share capital and reserves – continued

[c] Warrants

In 2017, pursuant to the issuance of the convertible loan, the Company issued 3,712,500 common share purchase warrants that entitle the holder to receive one common share at a price of $0.11 for a period of five years. The value of these warrants has been accounted for as a derivative liability *[note 9d]*.

Pursuant to the financings on April 30, 2019 and September 16, 2019, the Company issued 4,750,000 and 11,850,000 common share purchase warrants that entitle the holder to receive one common share at a price of $0.20 for a period of three years. The value of these warrants are $129,089 and $285,726 respectively, for a total value of $414,815 which has been transferred from share capital to contributed surplus.

Pursuant to a financing on June 30, 2020, the Company issued 6,153,846 common share purchase warrants that entitle the holder to receive one common share at a price of $0.18 for a period of five years. The value of these warrants of $188,079 has been allocated to contributed surplus, less $3,296 of associated share issuance costs attributable to the warrants.

On March 17, 2021, 250,000 warrants were exercised at $0.20 for total proceeds of $50,000. An amount of $11,146 related to the warrants exercised was transferred from contributed surplus to share capital.

A summary of the status of the Company's warrants at June 30, 2021 are as follows:

	Number of warrants	Weighted average remaining contractual life	Weighted average exercise price
	#	[years]	$
Balance, January 1, 2020	20,312,500	1.03	0.17
Issued June 30, 2020	6,153,846	4.00	0.18
Balance, December 31, 2020	**26,466,346**	**1.72**	**0.18**
Exercised March 17, 2021	(250,000)		(0.20)
Balance, June 30, 2021	**26,216,346**	**1.52**	**0.18**

A summary of warrants outstanding and exercisable as at June 30, 2021 is set out below:

	Outstanding and exercisable warrants		
As at June 30, 2021 **Range of exercise prices**	**Number of warrants**	**Weighted average remaining contractual life**	**Weighted average exercise price**
$	#	[years]	$
0.11	3,712,500	0.84	0.11
0.18-0.20	22,503,846	1.63	0.19
	26,216,346	**1.52**	**0.18**

10. Share capital and reserves – continued

[d] Contributed surplus

	June 30, 2021	December 31, 2020
	$	$
Balance, beginning of period	**6,760,615**	6,492,500
Stock-based compensation	**72,389**	158,616
Issuance of warrants	**-**	188,079
Stock options exercised	**(65,621)**	(75,284)
Warrants exercised	**(11,146)**	-
Warrant issue costs	**-**	(3,296)
Balance, end of period	**6,756,237**	6,760,615

[e] Per share amounts

For the six months ended June 30, 2021, the weighted average number of shares outstanding was 249,620,090 [June 30, 2020 – 214,390,362]. As at June 30, 2021, the Company had 10,173,803 stock options [December 31, 2020 – 11,210,442] and 26,216,346 warrants [December 31, 2020 – 26,466,346] outstanding.

11. Non-controlling interests

On March 22, 2021, the Company entered into an agreement with Torreco *[note 5]*, whereby Torreco will invest $7,000,000 to convert Ellsin's pilot plant in Sault Ste. Marie into a commercial scale recycling plant utilizing the Company's patented microwave technology. Following the receipt of all of the committed funds, Torreco will own 70% of Ellsin and the Company will retain a 30% ownership interest in Ellsin. Under the agreement, Ellsin will also pay a royalty fee of 6% of Ellsin's top line revenue to the Company on a quarterly basis, based on revenues generated from the Hybrid Reverse Polymerization process in perpetuity. In exchange for the investment in Ellsin, the Company will grant Torreco the right to build three additional waste tire facilities in Ontario over the next five years if it meets certain conditions.

The initial proceeds of $400,000 were received on March 22, 2021, representing a 4% non-controlling interest in Ellsin. Pursuant to the agreement signed on March 22, 2021 Torreco advanced an additional $600,000 on April 7, 2021 bringing their ownership in Ellsin up to 10%.

11. Non-controlling interests – continued

Non-controlling interest activity for the six months ended June 30, 2021 is as follows:

	Six months ended June 30, 2021
	$
Balance beginning of period	-
Issuance of shares in Ellsin Environmental Ltd 10%	1,000,000
Share of net loss for the period	(16,061)
Balance end of period	**983,939**

12. Government assistance

[a] Canada Emergency Wage Subsidy ("CEWS")

In response to the COVID-19 coronavirus pandemic, in April 2020 the government of Canada introduced the CEWS program. CEWS provides a wage subsidy program on eligible renumeration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy was retroactive to March 15, 2020. The qualification and application of the CEWS is being assessed over multiple four-week period segments.

The company recognizes government grants when there is reasonable assurance that it will comply with the conditions to qualify for the grant and that the grant will be received. The company has recognized $64,504 of CEWS during the Six months ended June 30, 2021 (2020 – $nil] and has recorded it as a reduction to the eligible salaries and benefit expenses that are allocated proportionately to the functions of technology development, plant operations and selling, marketing and administration reported in the consolidated statements of loss and comprehensive loss *[note 13].*

Trade and other receivables at June 30, 2021, include $36,913 [December 31, 2020 – $63,403] related to CEWS that the Company has applied for but not received.

[b] Canada Emergency Rent Subsidy ("CERS")

The government of Canada also introduced the CERS program in September 2020, which provides rent and property ownership cost support to small businesses affected by COVID-19. The subsidy provides support directly to tenants and property owners. During the six months ended June 30, 2021, the Company and Ellsin were eligible for and received $30,276 in aggregate under the CERS program.

12. Government assistance – continued

[c] Canada Emergency Business Account ("CEBA")

CEBA is a government assistance program implemented by eligible financial institutions in cooperation with Export Development Canada. The CEBA provides interest-free loans of up to $60,000 to small businesses to help their operating costs during a period when their revenues have been temporarily reduced by the economic impact of COVID-19.

On April 30, 2020, each of EWI and its subsidiary EWI Rubber received a $40,000 loan for proceeds of $80,000 *[note 9a]*. At that time, a difference of $16,699 between the fair value of the loans and the proceeds received was recognized as gain on recognition of interest free loan over the term of the loan and included in other income in the consolidated statements of loss and comprehensive loss.

On January 22, 2021, the Company received additional CEBA loan proceeds totaling $40,000, with $20,000 each received by EWI and EWI Rubber. A difference of $6,254 between the fair value of the loans and the proceeds received was recognized as gain on recognition of interest free loan over the term of the loan and included in other income in the consolidated statements of loss and comprehensive loss during the three months ended June 30, 2021 (2020 – $nil).

13. Operating expenses by function

The Company classifies its operating expenses into three functions to reflect how it manages its business. Salaries and benefits are allocated to functions as follows for the Six months ended June 30, 2021 and 2020:

Government subsidies relates to the Canada Emergency Wage Subsidy ("CEWS") provided by the government of Canada as financial assistance during the COVID-19 pandemic.

Six months ended June 30, 2021	**Technology development $**	**Plant operations $**	**Selling, marketing and administration $**	**Total $**
Salaries and benefits	**75,136**	**104,023**	**62,006**	**241,164**
Government grant income	**(23,274)**	**(28,633)**	**(12,598)**	**(64,505)**
	51,862	**75,390**	**49,407**	**176,660**

Six months ended June 30, 2020	**Technology development $**	**Plant operations $**	**Selling, marketing and administration $**	**Total $**
Salaries and benefits	**77,367**	**45,521**	**49,019**	**171,907**
Government grant income	**(6,725)**	**(4,190)**	**(4,190)**	**(17,849)**
	70,642	**41,331**	**44,829**	**154,058**

Subsequent to the Company entering into the agreement with Torreco on March 22, 2021 *[note 5]*, the costs associated with plant operations are included in net loss and comprehensive loss from discontinued operations.

14. Related party disclosures

[a] Transactions with related parties other than key management personnel

During the six months ended June 30, 2021, the Company engaged in transactions in the normal course of operations with the following related parties. All of these transactions have been accounted for at the amount agreed to by the transacting parties as follows:

The Company recognized an expense during the six months ended June 30, 2021 for interest on loans to a director of $23,870 [2020 – $40,588].

The Company recognized an expense during the six months ended June 30, 2021 for shared-based compensation to directors in the amount of $16,866.

[b] Transactions with key management personnel

The Company recorded compensation expense during the six months ended June 30, 2021 in the amount of $160,700 [2020 – $133,100] and share-based compensation in the amount of $24,798 [2020 – $30,573] to key management personnel.

The Company recognized an expense of $11,004 [2020 – $12,000] during the six months ended June 30, 2021 for interest on deferred compensation to a key member of management who is also a director.

Accounts payable as at June 30, 2021, includes $63,431 [December 31, 2020 – $113,591] related to compensation of a key member of management who is also a director.

15. Commitments and contingencies

Under its by-laws, the Company indemnifies its directors/officers, former directors/officers and individuals who have acted at the Company's request to be a director/officer of an entity in which the Company is a shareholder, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. Indemnification claims will be subject to any statutory or other legal limitation period. There are no indemnification claims known to the Company at this time. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in these consolidated financial statements with respect to any indemnifications.

During the ordinary course of business activities, the Company may be party to claims and may be contingently liable for litigation. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

15. Commitments and contingencies – continued

[a] Partnership to enter European Market

On August 25, 2020, the Company announced that is signed an agreement with a European development and investment company to enter into a partnership to develop waste tire recycling plants across Europe. The first project of this partnership will be a TR100 tire recycling plant in Europe which utilizes the Company's reverse polymerization technology. Subject to certain conditions, exclusions and performance criteria, the Company granted to its partner exclusive rights to its technology across Europe. In exchange for these exclusive rights, its partner is required to meet performance criteria such as the timely purchase and construction of a TR100, and must order and build additional plants within the first five years of the partnership to retain their exclusive rights to this technology in Europe. The counterparty to this agreement participated in the June 30, 2020 private placement *[note 10a].*

16. Segment information

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

During the six months ended June 30, 2021, and 2020, 80% of revenue is attributable to the United States, and 20% from Canada.

During the six months ended June 30, 2021, and 2020, 80% of revenue is attributable to one customer.

All of the Company's non-current assets are located in Canada.

17. COVID-19

In March 2020, there was a global outbreak of the coronavirus COVID-19 which has had impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments. Measures taken to address the COVID-19 pandemic had an impact on the Company in the year resulting in a decrease in maintenance revenues due to the inability to travel to the US. In addition, the COVID-19 pandemic has slowed current negotiations on plant sales, although none have been abandoned.

Depending on the severity and duration of COVID-19 disruptions, including the current resurgence and possible future resurgences in the number of COVID-19 cases the company's financial results could continue to be negatively impacted in future periods.

18. Comparative Financial Statements

Certain figures in the comparative financial statements, namely the presentation of expenses by function *[note 13]*, have been reclassified to conform to the current period presentation.

19. Subsequent Events

[a] Stock options

On July 7, 2021, 3,870,000 stock options were granted to employees, officers, directors, and consultants at an exercise price of $0.19.

During the period from July 1, 2021, to August 26, 2021, a total of 181,653 stock options were exercised for total proceeds of $11,583 by employees, officers and consultants of the Company.

[b] Debt conversion

On May 24, 2021 the Company entered into a debt conversion agreement to settle the promissory note payable owing under the promissory note dated April 12, 2017. The parties agreed to settle the total amount principal and interest owing of $1,101,775 by way of issuance of 4,590,729 common shares of the Company at $0.24. Pursuant to the TSX Venture Exchange ("TSXV"), this debt settlement required the approval of disinterested shareholders of the Company because the holder of this note, a Company owned by a director, will become a new control person of the Company since it will own over 20% of the Company's common stock. The Company obtained shareholder approval for this debt settlement at its annual and special shareholders' meeting held July 7, 2021.
This transaction constitutes a related party transaction, as the promissory note is held by company owned by a director of the Company.