



**Condensed Consolidated Interim Financial Statements**

**For the three and six-month periods ended June 30, 2021 and 2020**

(Unaudited, expressed in Canadian dollars)

## **Management's Responsibility for Financial Reporting**

### **Responsibility for Financial Statements**

The accompanying unaudited condensed consolidated interim financial statements of EnviroMetal Technologies Inc. (formerly EnviroLeach Technologies Inc.) as at and for the three and six-month periods ended June 30, 2021 have been prepared by the Company's management. Recognizing that the Company is responsible for both the integrity and objectivity of the condensed interim financial statements, management is satisfied that these condensed consolidated interim financial statements have been fairly presented.

The external auditors of the Company have not audited these condensed consolidated interim financial statements.

**EnviroMetal Technologies Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited, expressed in Canadian dollars)

	June 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 2,938,305	\$ 5,511,314
Trade and other receivables	539,075	232,694
Inventories	755,215	800,193
Assets held for sale (Note 5)	214,966	366,966
Prepaid expenses and deposits	334,607	252,704
	4,782,168	7,163,871
<b>Non-current assets</b>		
Investment in Group 11 (Note 6)	639,464	700,124
Intangible assets (Note 7)	4,033,766	4,372,499
Plant and equipment (Note 7)	3,835,683	4,330,433
	8,508,913	9,403,057
<b>Total assets</b>	<b>\$ 13,291,081</b>	<b>\$ 16,566,928</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 728,586	\$ 1,048,974
Due to (from) related parties (Note 8)	62,263	202,682
Deferred revenues	75,000	-
Loan payable (Note 12)	40,000	40,000
Lease liabilities (Note 9)	99,427	247,623
Advance royalty payable (Note 10)	-	45,549
	1,005,276	1,584,828
<b>Non-current liabilities</b>		
Lease liabilities (Note 9)	27,626	60,955
Advance royalty payable (Note 10)	-	486,842
	27,626	547,797
<b>Total liabilities</b>	<b>1,032,902</b>	<b>2,132,625</b>
<b>Equity</b>		
Share capital (Note 11)	29,727,484	29,447,944
Reserves (Note 11)	7,660,556	7,745,476
Contributed surplus (Note 11)	750,000	750,000
Accumulated deficit	(27,006,315)	(24,630,185)
Equity attributable to shareholders	11,131,725	13,313,235
Non-controlling interest	1,126,454	1,121,068
<b>Total equity</b>	<b>12,258,179</b>	<b>14,434,303</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,291,081</b>	<b>\$ 16,566,928</b>

Going concern (Note 1) and Commitments (Note 19)

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

Approved by the Board of Directors of EnviroLeach Technologies Inc. on August 24, 2021:

/s/ Duane Nelson

/s/ Court Anderson

## EnviroMetal Technologies Inc.

### Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Revenues</b>	\$ 561,967	\$ 43,750	\$ 605,168	\$ 257,177
<b>Expenses</b>				
Operating costs	(501,155)	152,133	(578,354)	(326,500)
Management and Employee costs	(338,387)	(301,834)	(703,073)	(805,309)
General and administration (Note 13)	(547,530)	(415,780)	(841,657)	(773,972)
Share-based payments (Note 11)	-	(985,890)	-	(985,890)
	(1,387,072)	(1,551,371)	(2,123,084)	(2,891,671)
<b>Loss before other items</b>	<b>(825,105)</b>	<b>(1,507,621)</b>	<b>(1,517,916)</b>	<b>(2,634,494)</b>
<b>Other items</b>				
Interest income	1,353	816	2,246	2,330
Interest and financing costs	(9,580)	105,902	(411,516)	91,188
Amortization (Note 7)	(471,618)	(444,418)	(942,496)	(897,611)
Loss on disposal of assets	(47,838)	(102,572)	(47,838)	(98,261)
Write-down of assets	-	-	-	-
Unrealised loss on investment in associate (Note 6)	(49,274)	-	(60,660)	-
Gain in settlement of advance royalty payable (Note 10)	-	-	629,850	-
Expected credit loss (Note 19)	-	-	(117,104)	-
Foreign exchange	(81,620)	6,316	(19,605)	(77,104)
	(658,577)	(433,956)	(967,123)	(979,458)
<b>Loss and comprehensive loss</b>	<b>(1,483,682)</b>	<b>(1,941,577)</b>	<b>(2,485,039)</b>	<b>(3,613,952)</b>
Loss and comprehensive loss attributable to:				
Shareholders	(1,483,680)	(1,644,921)	(2,376,130)	(3,146,306)
Non-controlling interest	-	(296,656)	(108,907)	(467,646)
	\$ (1,483,680)	\$ (1,941,577)	\$ (2,485,037)	\$ (3,613,952)
Net loss per common share, basic and diluted	(0.016)	(0.026)	(0.027)	(0.050)
Weighted-average number of common shares outstanding, basic and diluted	93,696,002	74,096,715	93,529,427	72,514,155

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

**EnviroMetal Technologies Inc.**
**Condensed Consolidated Interim Statements of Changes in Equity**

For the three and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian dollars, except for number of shares amount)

	Share capital		Reserves		Contributed surplus	Accumulated deficit	Non-controlling interest	Total Equity
	Shares #	Amount	Share-based payments	Warrants				
<b>Balance, January 1, 2021</b>	93,046,002	\$ 29,447,944	\$ 5,323,802	\$ 2,421,674	\$ 750,000	\$ (24,630,185)	\$ 1,121,068	\$ 14,434,303
Issuance of shares for options	400,000	184,920	(84,920)	-	-	-	-	100,000
Shares issued for debt settlement (Note 10)	250,000	102,927	-	-	-	-	-	102,927
Share issuance costs (Note 11)	-	(8,307)	-	-	-	-	-	(8,307)
Equity contribution from minority shareholder	-	-	-	-	-	-	114,293	114,293
Net loss for the period	-	-	-	-	-	(2,376,130)	(108,907)	(2,485,037)
<b>Balance, June 30, 2021</b>	<b>93,696,002</b>	<b>\$ 29,727,484</b>	<b>\$ 5,238,882</b>	<b>\$ 2,421,674</b>	<b>\$ 750,000</b>	<b>\$ (27,006,315)</b>	<b>\$ 1,126,454</b>	<b>\$ 12,258,179</b>

	Share capital		Reserves		Contributed surplus	Accumulated deficit	Non-controlling interest	Total Equity
	Shares #	Amount	Share-based payments	Warrants				
<b>Balance, January 1, 2020 Restated (Note 4)</b>	70,667,000	\$ 23,756,237	\$ 4,551,104	\$ -	\$ -	\$ (18,510,151)	\$ 1,183,420	\$ 10,980,610
Private placement of units (Note 11)	3,344,001	1,725,505	-	782,496	-	-	-	2,508,001
Share issuance costs (Note 11)	-	(95,009)	-	12,090	-	-	-	(82,919)
Re-pricing of 2018 warrants	-	(1,301,810)	-	1,301,810	-	-	-	-
Issuance of shares for options	200,000	92,460	(42,460)	-	-	-	-	50,000
Share-based payments	-	-	985,890	-	-	-	-	985,890
Equity contribution from minority shareholder	-	-	-	-	-	-	498,949	498,949
Net loss for the period	-	-	-	-	-	(3,146,306)	(467,646)	(3,613,952)
<b>Balance, June 30, 2020 Restated (Note 4)</b>	<b>74,211,001</b>	<b>\$ 24,177,383</b>	<b>\$ 5,494,534</b>	<b>\$ 2,096,396</b>	<b>\$ -</b>	<b>\$ (21,656,456)</b>	<b>\$ 1,214,723</b>	<b>\$ 11,326,580</b>

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

**EnviroMetal Technologies Inc.****Condensed Consolidated Interim Statements of Cash Flows**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

	Six months ended June 30,	
	2021	2020
<b>Cash flows from (to) operating activities</b>		
Net loss for the period	\$ (2,485,037)	\$ (3,613,952)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization	942,496	816,978
Loss on disposal and write-down of assets	47,838	84,418
Amortized interest on liabilities	403,984	80,633
Gain on settlement of advance royalty payable	(629,850)	-
Interest on due to related parties	-	(112,923)
Share-based payments	-	985,890
Loss related to investment in associate (Note 6)	60,660	-
Expected credit loss (Note 19)	117,104	-
Changes in non-cash operating working capital (Note 14)	(627,761)	23,632
	<b>(2,170,566)</b>	<b>(1,735,324)</b>
<b>Cash flows to investing activities</b>		
Disposal of right of use assets	-	(47,068)
Net proceeds from sale of assets held for sale	-	65,440
Acquisition of property, plant and equipment	(109,011)	(112,731)
	<b>(109,011)</b>	<b>(94,359)</b>
<b>Cash flows from (to) financing activities</b>		
Issuance of common shares for private placement	-	2,508,001
Share issuance costs	(10,380)	(77,153)
Shares issued for options	100,000	50,000
Royalty payments	(191,658)	(34,223)
Loan proceeds	-	40,000
Payments of lease obligations	(193,358)	(170,788)
	<b>(295,396)</b>	<b>2,315,837</b>
Increase (decrease) in cash	(2,574,973)	486,154
Effects of foreign exchange rates on cash	1,964	41,722
<b>Cash, beginning of period</b>	<b>5,511,314</b>	<b>688,848</b>
<b>Cash, end of period</b>	<b>\$ 2,938,305</b>	<b>\$ 1,216,724</b>

Supplemental cash flow information (Note 14)

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

## **EnviroMetal Technologies Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

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#### **1. Corporate information**

EnviroMetal Technologies Inc. (the Company or EnviroMetal) (formerly EnviroLeach Technologies Inc.) was incorporated under the Province of Alberta Business Company Act on October 21, 2016. On December 4, 2020, the Company enacted a continuance from the Province of Alberta into the province of British Columbia under the *Business Corporation Act* (British Columbia) and adopted new articles of incorporation.

The Company specializes in precious metal extraction processes with applications in the primary and secondary metals sectors. The Company shares are listed for trading on the Canadian Securities Exchange (CSE) under the symbol "ETI". The Company additionally trades in the United States on the OTCQX venture marketplace under the symbol "EVLLF" and on the Frankfurt Stock Exchange (FSE) under the symbol "7N2".

The Company's registered office is located at 1500, 1055 West Georgia St., Vancouver BC V6E 0B6 and its corporate head office is located at #114 - 8331 Eastlake Drive, Burnaby, BC V5A 4W2.

These unaudited condensed consolidated interim financial statements (the Interim Financial Statements) have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company incurred a loss of \$1,483,682 and \$2,485,037 the three and six-month periods ended June 30, 2021, respectively (2020 – loss of \$955,687 and \$3,613,952, respectively) and has an accumulated deficit since inception of \$27,006,315 (December 31, 2020 - \$24,630,185). There are several adverse conditions which create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company has incurred operating losses since inception, is unable to self-finance operations and has significant on-going cash requirements to meet its overhead obligations. The continuing operations of the Company are dependent upon economic and market factors which involve uncertainties including the Company's ability to raise adequate equity financing and ultimately develop profitable operations. The Company is of the view that these objectives can be met, and that the going concern assumption is appropriate. If the going concern assumption were not appropriate for these Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used, and such adjustments could be material.

#### ***Impact of COVID-19***

The global transmission of COVID-19 and the related global efforts to contain its spread have resulted in international border closings, travel restrictions, significant disruptions to border operations and supply chains, as well as a significant impact on commodity prices and capital markets. We have adopted certain procedures to respond to COVID-19 and mitigate the impacts of the COVID-19 crisis that have affected us. These impacts include reduced sales as a result of supply chain disruptions and travel restrictions, increased costs from our efforts to mitigate the impact of COVID-19 and a temporary shut-down of our processing plant. We do not believe that COVID-19 has impacted any of the significant estimates or judgments used in these Interim Financial Statements.

#### **2. Basis of presentation**

##### **(a) Statement of compliance**

These Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial

## **EnviroMetal Technologies Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

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Reporting Standards ("IFRS"). These Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2020 (the "2020 Annual Financial Statements"), which have been prepared in accordance with IFRS.

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the 2020 Annual Financial Statements. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These Interim Financial Statements were authorized for issue by the Board of Directors on August 24, 2021.

#### **(b) Basis of measurement**

These Interim Financial Statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value as disclosed elsewhere in the notes to the financial statements.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that may have a significant impact to the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

These Interim Financial Statements are presented in Canadian dollars, unless otherwise indicated.

#### **(c) Basis of consolidation**

The consolidated financial statements are prepared by consolidating entities that are controlled by the Company. An entity is controlled when the company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through power over the investee. Power over an entity is the ability to exercise rights that give affect the entity's returns (relevant activities). Power may be determined on the basis of voting rights or, in the case of structured entities, other contractual arrangements. The determination of control is based on the current facts and circumstances and is continuously assessed. In some circumstances, different factors and conditions may indicate that different parties control an entity depending on whether those factors and conditions are assessed in isolation or in totality. Significant judgment is applied in assessing the relevant factors and conditions in totality when determining whether an entity is controlled. Specifically, judgment is applied in assessing whether the Company has substantive decision-making rights over the relevant activities. Controlled entities are consolidated from the date control is obtained and consolidation is ceased when an entity is no longer controlled by the Company. Non-controlling interests in subsidiaries that are consolidated is shown on the consolidated statements of financial position as a separate component of equity which is distinct from equity attributable to shareholders. The net income attributable to non-controlling interests is separately disclosed in the consolidated statements of loss and comprehensive loss.

At June 30, 2021 and December 31, 2020, the financial statements of EnviroMetal Technologies Inc. are consolidated with the accounts of the joint venture project with Mineworx Technologies Ltd. (Mineworx) in which the Company is the operator and has control over the decision-making process. Prior to the termination on April 5, 2021 of the joint venture with Mineworx by the Company (refer to Note 19), the portion attributable to Mineworx was 20% and recorded as non-controlling interest.

#### **(d) Functional and presentation currencies and foreign currency translation**

The functional currency of the Company is determined using the currency of the primary economic environment in which the Company operates, the Canadian dollar. The presentation currency is also the Canadian dollar.



**EnviroMetal Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

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In preparing the financial statements of the Company, transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**3. Restatement and reclassification of prior period financial statements**

The restatement of the Company's 2019 financial statements, and related disclosures, followed a review of the Company's consolidated financial statements and accounting records that was undertaken as part of the audit of the consolidated financial statements for the year ended December 31, 2020. That review resulted in revisions to accounting treatments related to certain complex accounting transactions, including the reclassification and re-measurement of certain financial instruments. The impact of the restatement on the annual financial statements was primarily non-operating in nature and relates primarily to accounting changes made to previously disclosed transactions. The audited consolidated financial statements of the Company for the year ended December 31, 2020 reflect the adjustments for which the accounts were restated. Refer to Note 5 of the audited financial statements for the year ended December 31, 2020, as approved by the board of director on April 30, 2021.

**(a) Convertible loan with a related party**

An omission was identified upon the extinguishment of a convertible loan with a related party. The omission related to a loan feature whereby the settlement could, after March 21, 2020 be settled by the issuance of shares of the Company in lieu of cash for any outstanding principal balance. After recalculating the convertible feature, estimated benefit to the loan holders was determined to be \$nil.

Further analysis revealed that the loan was not presented in compliance with the Company's accounting policy related to loans with non-arm's length parties. The Company's accounting policy required the use of the effective interest method and as a result, the Company restated its prior periods financial results for the accretion of the interest over the term of the convertible loan. These differences resulted in a change in the present value of the convertible loan, which formed part of the basis of the cost of intangible assets, and as such, reduced the opening balance of intangible assets by \$525,020, with an increase of the accumulated deficit at January 1, 2019 of \$239,688 and an increase of the loss for the year ended December 31, 2019 of \$127,826.

The Company also reversed over accrued legal interest in relation to this note, resulting in a decrease of the accumulated deficit at January 1, 2019 and of \$62,497 and an increase of the loss for the year ended December 31, 2019 of \$234. See the tables below, with references to restated item (a).

**(b) Advance royalty payable with a related party**

The Company has applied the same effective interest rate to the royalty payable that should have been in effect during the preparation of the 2017 financial statements. This has caused the present value of the royalty payable to decrease by \$319,625, with a corresponding reduction in the value of the intangible asset, since the royalty payable formed a part of the basis of the cost for intangible assets at December 31, 2017. This change resulted in a decrease of the accumulated deficit at January 1, 2019 of \$36,761 and an increase of the loss for the year ended December, 2019 of \$1,042. See the tables below, with references to restated item (b).

**(c) Leases**

The Company adopted the amended IFRS 16 - Leases with a date of initial application of January 1, 2019 using

**EnviroMetal Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

the modified retrospective approach. The Company recorded the cumulative effects of initial application in opening accumulated deficit as at January 1, 2018, the beginning of the comparative period, and restated its results for the year ended December 31, 2019. The Company also restated its consolidated statement of financial position as at January 1, 2019 and December 31, 2019. During the 2020 annual review, it was discovered that the Company had not appropriately relied upon the internal borrowing rate method to calculate the value of the lease assets. After an assessment and recalculation, the restated values of the lease obligations were as follows:

	December 31, 2019 <i>As filed</i>	December 31, 2019 <i>Restated</i>	January 1, 2019 <i>Restated</i>
Right to use assets - costs	\$ 588,722	\$ 898,097	\$ 878,818
Accumulated amortization	(135,074)	(480,189)	(157,320)
Net book value	453,648	417,908	721,498
Lease liabilities	(456,616)	(456,506)	(741,410)

This standard requires lessees to recognize a lease liability representing the obligation for future lease payments and a right-of-use asset in the consolidated statement of financial position for substantially all lease contracts, initially measured at the present value of unavoidable lease payments. Purchase, renewal and termination options which are reasonably certain of being exercised are also included in the measurement of the lease liability. Lease payment liabilities do not include variable lease payments that are not based on an index or rate.

Prior to the adoption of IFRS 16, substantially all leases were classified as operating leases based on the Company's assessment that a significant portion of the risks and rewards of ownership were retained by the lessor. Lease payments were recorded in operating costs in the consolidated statements of loss.

Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for its leases of buildings and equipment. The nature and timing of leasing expenses have changed as operating lease expenses were replaced by an amortization charge for right-of-use assets and interest expense on lease liabilities, resulting in an increase of the accumulated deficit at January 1, 2019 of \$28,573 and an increase of the loss for the year ended December 31, 2019 of \$7,057.

IFRS 16 also changed the presentation of cash flows relating to leases in the Company's consolidated statements of cash flows but did not cause a difference in the amount of cash transferred between the parties. See the tables below, with references to restated item (c).

**(d) Accrued vacation**

An omission was identified upon the preparation of the 2020 Financial Statements related to vacation accruals, resulting in an increase of the accumulated deficit at January 1, 2019 of \$57,380 and an increase of the loss for the year ended December, 2019 of \$38,298, with corresponding increases in accounts payable. See the tables below, with references to restated item (d).

**(e) Licensing revenues and write-down of assets**

In August 2017, the Company entered into an agreement with Jabil Inc. (Jabil) whereby EnviroMetal was to build a turn-key pilot scale E-waste processing plant, where Jabil was responsible for the development costs of the plant up to a maximum guaranteed price of USD 1,200,000, payable in three instalments of USD 400,000 each, due upon reaching defined milestones. Upon site acceptance, Jabil had the option to purchase any or all

## **EnviroMetal Technologies Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

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components of the plant at a pre-determined price or rent the plant from the Company at rate of USD 25,000 per month. Under the same agreement, the Company granted an exclusive, non-transferable license to Jabil for the use of its technology for the payment of USD 1,000,000. During the year ended December 31, 2017, the Company received the licensing fees as well as 2 of the 3 milestones payments. The Company recorded these payments as advances, presented at \$2,455,560 and \$2,267,219 at December 31, 2018 and 2017, respectively. During the year ended December 31, 2019, the Company determined that the economically recoverable value of the Jabil assets neared zero and accordingly, after transferring \$206,331 worth of equipment to inventory to be used as spare parts, the Jabil plant was written off against the advances, recoding a loss in foreign exchange of \$ 246,927.

Under IAS 18, and as per the Company's revenue policy, the licensing fees should have been recognized as revenues during the year ended December 31, 2017, while the two milestone payments should have been recorded against the cost of the assets in 2018, effectively lowering the carrying cost of the plant. Finally, an impairment charge should have been recorded during the year ended December 31, 2019. The Company restated its accounts as follows:

- Recorded revenues of \$1,298,800 during the 2017 fiscal year
- Allocated \$1,091,360 of advances as a reduction of the plant costs and recorded \$65,400 in foreign exchange gain during the 2018 fiscal year
- Recorded an impairment charge of \$1,493,407 and a gain on foreign exchange of \$129,207 during the fiscal year ended December 31, 2019

These adjustments have resulted in a decreased in the accumulated deficit at January 1, 2019 of \$1,364,200, and a corresponding increase of the loss for the year ended December 31, 2019. See the tables below, with references to restated item (e).

#### **(f) Reclassifications**

The Company identified certain reclassifications related to inventories and prepaid expenses as of December 31, 2019. These classifications were related to the Jabil arrangement as well as inventories in the Surrey Plant. The Company assessed the materiality of the differences and determined the adjustments were material to the consolidated financial statements.

The following tables summarize the effects of the reclassifications and restatements, including the tax effect of the items described above. See the tables below, with references to restated item (f).

The Company also reclassified certain balances to conform to the current presentation.

## EnviroMetal Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian dollars)

Consolidated Statements of Financial Position	January 1, 2020	January 1, 2019	December 31, 2019		December 31, 2019	January 1, 2020
	<i>As originally filed</i>	<i>Restatement</i>	<i>Restatement</i>		<i>Reclassifications</i>	<i>Restated</i>
<b>Assets</b>						
<b>Current assets</b>						
Cash	\$ 688,848	-	-	-	-	\$ 688,848
Trade and other receivable	429,880	-	-	-	-	429,880
Inventories	444,130	-	-	-	768,678 f	1,212,808
Assets held for sale	477,290	-	-	-	-	477,290
Prepaid expenses and deposits	854,735	-	-	-	(745,949) f	108,786
	2,894,883	-	-	-	22,729	2,917,612
<b>Non-current assets</b>						
Intangible assets	5,623,489	(675,715) a, b	84,465 a, b	-	-	5,032,239
Plant and equipment	5,107,636	(791,972) c, e	756,231 c, e	-	-	5,071,895
	10,731,125	(1,467,687)	840,696	-	-	10,104,134
<b>Total assets</b>	<b>\$ 13,626,008</b>	<b>(1,467,687)</b>	<b>840,696</b>	<b>22,729</b>		<b>\$ 13,021,746</b>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	\$ 308,901	57,380 d	38,298 d	22,729 f	-	\$ 427,308
Due to (from) related parties	380,024	(62,497) a	234 a	-	-	317,761
Loan payable	250,000	(180,328) a	180,328 a	-	-	250,000
Advances	-	(2,455,560) e	2,455,560 e	-	-	-
Lease liabilities	302,652	-	-	22,569	-	325,221
Advance royalty payable	65,449	-	-	(18,985)	-	46,464
	1,307,026	(2,641,005)	2,674,420	26,313	-	1,366,754
<b>Non-current liabilities</b>						
Lease liabilities	153,964	327,961 c	(328,071) c	(22,569)	-	131,285
Advance royalty payable	783,568	(292,461) b	33,005 b	18,985	-	543,097
	937,532	35,500	(295,066)	(3,584)	-	674,382
<b>Total liabilities</b>	<b>2,244,558</b>	<b>(2,605,505)</b>	<b>2,379,354</b>	<b>22,729</b>		<b>2,041,135</b>
<b>Equity</b>						
Share capital	23,756,237	-	-	-	-	23,756,237
Reserves	4,551,104	-	-	-	-	4,551,104
Accumulated deficit	(18,115,599)	867,309 a, b, c, d, e	(1,261,860) a, b, c, d, e	-	-	(18,510,150)
Equity attributable to shareholders	10,191,742	867,309	(1,261,860)	-	-	9,797,191
Non-controlling interest	1,189,708	270,509	(276,797)	-	-	1,183,420
<b>Total equity</b>	<b>11,381,450</b>	<b>1,137,818</b>	<b>(1,538,657)</b>	<b>-</b>		<b>10,980,611</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,626,008</b>	<b>(1,467,687)</b>	<b>840,696</b>	<b>22,729</b>		<b>\$ 13,021,746</b>

Statement of Changes in Equity <i>As originally filed</i>	Share capital		Reserves		Accumulated deficit	Non-controlling interest	Total Equity
	Shares #	Amount	Share-based payments				
<b>Balance, January 1, 2019</b>	60,817,000	\$ 18,724,590	\$ 2,002,248	\$ (9,391,677)	\$ 709,559	\$ 12,044,720	
Exercise of warrants	9,425,000	4,712,500	-	-	-	4,712,500	
Exercise of options	425,000	319,147	(137,147)	-	-	182,000	
Share-based payments	-	-	2,686,003	-	-	2,686,003	
Equity contribution from minority shareholder	-	-	-	-	1,256,430	1,256,430	
Net loss for the year	-	-	-	(8,723,922)	(776,281)	(9,500,203)	
<b>Balance, December 31, 2019</b>	<b>70,667,000</b>	<b>\$ 23,756,237</b>	<b>\$ 4,551,104</b>	<b>\$ (18,115,599)</b>	<b>\$ 1,189,708</b>	<b>\$ 11,381,450</b>	

Statement of Changes in Equity <i>Restated</i>	Share capital		Reserves		Accumulated deficit	Non-controlling interest	Total Equity
	Shares #	Amount	Share-based payments				
Balance, January 1, 2019	60,817,000	18,724,590	2,002,248	(8,524,368)	980,068	13,182,538	
Exercise of warrants	9,425,000	4,712,500	-	-	-	4,712,500	
Exercise of options	425,000	319,147	(137,147)	-	-	182,000	
Share-based payments	-	-	2,686,003	-	-	2,686,003	
Equity contribution from minority shareholder	-	-	-	-	1,256,430	1,256,430	
Net loss for the year	-	-	-	(9,985,782)	(1,053,078)	(11,038,860)	
<b>Balance, December 31, 2019</b>	<b>70,667,000</b>	<b>\$ 23,756,237</b>	<b>\$ 4,551,104</b>	<b>\$ (18,510,151)</b>	<b>\$ 1,183,420</b>	<b>\$ 10,980,611</b>	

**EnviroMetal Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

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**4. Inventory**

Inventory consists of the following:

	June 30, 2021	December 31, 2020
Parts	\$ 361,624	\$ 459,461
Chemicals	302,805	302,805
Finished goods	90,786	37,927
	<u>755,215</u>	<u>800,193</u>

Costs of inventories recognized as an expense during the three and six-month periods ended June 30, 2021 and the year ended December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Opening inventory	\$ 800,193	\$ 1,212,808
Purchase	603,886	106,158
Usage / sale	(601,026)	(462,076)
Reclassification	-	202,731
Write-down	(47,838)	(259,428)
Closing balance	<u>755,215</u>	<u>800,193</u>

**5. Assets held for sale**

Assets held for sale consist of the following:

	June 30, 2021	December 31, 2020
Opening balance	\$ 366,966	\$ 477,290
Transfer from (to) plant	-	9,066
Sold	(152,000)	(117,390)
Written-down	-	(2,000)
Closing balance	<u>214,966</u>	<u>366,966</u>

**6. Investment in Group 11**

On August 28, 2020, the Company entered into a license agreement and partnership with Group 11 Technologies Inc. ("Group 11") for the refinement and application of in-situ gold mining technologies incorporating the Company's water-based solution.

In exchange for an initial 40% ownership position in Group 11, EnviroMetal has granted Group 11 a license to use the Company's metal extraction technology. On initial recognition, the licensing fee was recorded at cost, being \$750,000. The Company is entitled to royalty payments on any metal produced in accordance with the license agreement.

## EnviroMetal Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian dollars)

The Company has determined that it exercises significant influence over Group 11 and accounts for this investment using the equity method. During the three and six-month periods ended June 30, 2021, the Company recorded \$11,386 as its proportionate share of Group 11's net loss on the consolidated statements of loss and comprehensive loss. The following table is a reconciliation of the carrying value of the investment in Group 11:

	June 30, 2021	December 31, 2020
Balance, opening	\$ 700,124	\$ -
Group 11 shares acquired	-	750,000
Adjustments to carrying value:		
Proportionate share of net loss	(60,660)	(49,876)
Balance, closing	<u>\$ 639,464</u>	<u>\$ 700,124</u>

Concurrently with the licensing agreement, the Company has entered into a support and services agreement with Group 11, expiring no earlier than August 28, 2023. The Company will earn a minimum aggregate fee of \$750,000 over the term of the agreement.

## 7. Intangible assets, plant and equipment

### (a) Intangible assets

	Technology	Patent	Total
<b>Costs</b>			
Opening Balance - January 1, 2020	7,045,265	100,552	7,145,817
Additions	-	52,611	52,611
Disposals	-	-	-
Closing Balance - December 31, 2020	<u>7,045,265</u>	<u>153,163</u>	<u>7,198,428</u>
<b>Depreciation</b>			
Opening Balance - January 1, 2020	2,113,578	-	2,113,578
Depreciation for the period	704,526	7,825	712,351
Disposals	-	-	-
Closing Balance - December 31, 2020	<u>2,818,104</u>	<u>7,825</u>	<u>2,825,929</u>
<b>Net book value, December 31, 2020</b>	<b>4,227,161</b>	<b>145,338</b>	<b>4,372,499</b>

**EnviroMetal Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

	Technology	Patent	Total
<b>Costs</b>			
Opening Balance - January 1, 2021	7,045,265	153,163	7,198,427
Additions	-	18,362	18,362
Disposals	-	-	-
Closing Balance - June 30, 2021	7,045,265	171,525	7,216,789
<b>Depreciation</b>			
Opening Balance - January 1, 2021	2,818,104	7,825	2,825,929
Depreciation for the period	352,264	4,830	357,094
Disposals	-	-	-
Closing Balance - June 30, 2021	3,170,368	12,655	3,183,023
<b>Net book value</b>	<b>3,874,897</b>	<b>158,870</b>	<b>4,033,766</b>

**Technology rights**

In December 2016, the rights to the technology for the extraction of valuable metals was acquired for a total purchase price of \$7,045,264 in two separate agreements.

**Intellectual property**

The patent costs represent the costs of applying for patents on the Company's technology. On January 7, 2020, the Company was issued the first patent for its technologies, and on February 18, 2020 the second patent. The patent costs are being amortized over the 20-year life of the patents.

**(b) Plant and equipment**

	Equipment	Right of Use	Office	Computer	Vehicles	Total
<b>Costs</b>						
Opening Balance - January 1, 2020	5,128,821	898,097	146,542	32,195	-	6,205,655
Additions	185,835	287,546	15,867	-	-	489,247
Other adjustment	-	(84,800)	-	-	-	(84,800)
Closing Balance - December 31, 2020	5,314,656	1,100,843	162,409	32,195	-	6,610,102
<b>Depreciation</b>						
Opening Balance - January 1, 2020	598,789	480,189	36,141	18,641	-	1,133,760
Depreciation for the period	745,730	415,982	54,099	10,732	-	1,226,542
Other adjustment	-	(80,633)	-	-	-	(80,633)
Closing Balance - December 31, 2020	1,344,519	815,538	90,240	29,372	-	2,279,669
<b>Net book value, December 31, 2020</b>	<b>3,970,137</b>	<b>285,304</b>	<b>72,169</b>	<b>2,823</b>	<b>-</b>	<b>4,330,433</b>

**EnviroMetal Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

	Equipment	Right of Use	Office	Computer	Vehicles	Total
<b>Costs</b>						
Opening Balance - January 1, 2021	5,314,656	1,100,843	162,409	32,195	-	6,610,102
Additions	62,473	-	-	8,020	20,158	90,651
Disposals	-	-	-	-	-	-
Closing Balance - June 30, 2021	5,377,129	1,100,843	162,409	40,215	20,158	6,700,753
<b>Depreciation</b>						
Opening Balance - January 1, 2021	1,344,519	815,538	90,240	29,372	-	2,279,669
Depreciation for the period	383,068	167,555	27,068	6,703	1,008	585,402
Disposals	-	-	-	-	-	-
Closing Balance - June 30, 2021	1,727,587	983,093	117,308	36,075	1,008	2,865,071
<b>Net book value, June 30, 2021</b>	<b>3,649,542</b>	<b>117,750</b>	<b>45,101</b>	<b>4,140</b>	<b>19,150</b>	<b>3,835,682</b>

**8. Accounts payable and accrued liabilities and due to related parties**

A summary of accounts payable and accrued liabilities are as follows:

	June 30, 2021	December 31, 2020
Accounts payable	\$ 404,698	\$ 802,621
Payroll liabilities	208,791	155,138
Accrued liabilities	115,096	91,215
	<u>728,586</u>	<u>1,048,974</u>

Amounts due to related parties are as follows:

	June 30, 2021	December 31, 2020
Board fees and related expenses to key management	\$ 62,263	\$ 211,913
Minework for contributions to the JV	-	(9,231)
	<u>62,263</u>	<u>202,682</u>

These amounts are unsecured, non-interest bearing, without specific repayment terms and have been incurred in the normal course of business.

**9. Leases**

The Company's right of use assets are included in plant and equipment. The imputed financing costs on the liability were determined based on the Company's incremental borrowing rate and similar finance leases to mining companies, which has been estimated at 11.48% for equipment and 6.58% on buildings. Lease liabilities recognized at June 30, 2021 and December 31, 2020 are as follows:



**EnviroMetal Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

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*(Unaudited, expressed in Canadian dollars)*

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		June 30, 2021		December 31, 2020
Lease liabilities, opening balance	\$	308,578	\$	456,506
Leases added		-		202,746
Payment of lease liabilities		(193,357)		(383,956)
Interest expense		11,833		33,282
Lease liabilities, closing balance		127,053		308,578

**10. Advance royalty payable**

The advance royalty payable was incurred on the acquisition of technology. The advanced royalty was presented as the amortized cost of a non-interest-bearing note of USD 1,000,000, discounted at a rate of 22.0% per annum, compounded monthly over a term of 39 months and based on projected cash flows. It was unsecured and due on a minimum discounted basis. 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.

On January 29, 2021, the Company settled this debt in full by way of a cash payment in the amount of USD 150,000 and by issuing 250,000 common shares in the capital of the Company.

		June 30, 2021		December 31, 2020
Opening balance	\$	532,392	\$	589,561
Payments		(296,658)		(80,221)
Interest portion		392,151		32,389
Gain on settlement of debt		(629,850)		-
Foreign exchange adjustment		1,965		(9,338)
Closing balance		-		<b>532,392</b>

**11. Share capital****(a) Capital stock**

Authorized capital stock consists of an unlimited number of common shares, without par value.

On March 2, 2020, the Company closed a non-brokered private placement of 3,344,001 units a \$0.75 per unit (March Units) for gross proceeds of \$2,508,001. Each March Unit consists of one common share of the Company and one common share purchase warrant. In connection with the private placement, the Company paid finder's fees of \$37,125, issued 41,250 compensation warrants valued at \$12,090 and incurred \$45,794 in other share issuance costs.

On December 30, 2020, the Company closed a non-brokered private placement of 17,825,001 units a \$0.30 per unit (December Units) for gross proceeds of \$5,347,500. Each December Unit consists of one common share of the Company and one common share purchase warrant. In connection with the private placement, the Company paid finder's fees of \$183,330, issued 618,100 compensation warrants valued at \$121,704 and incurred \$43,560 in other share issuance costs.

**EnviroMetal Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

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On January 29, 2021, the Company issued 250,000 shares, valued at \$105,000, less share issuance costs of \$2,073 as part of the settlement of the advance royalty payable (refer to Note 10).

**(b) Share-based payments**

The Company's equity compensation plan (2020 Plan) was approved by shareholders on November 24, 2020. The 2020 Plan replaces the 2020 Plan, the aggregate number of shares reserved for issuance shall not exceed 20% of the Company's issued and outstanding common shares on the date of grant. Options that are exercised, expired or otherwise terminated for any reason shall again be available for the purposes of granting options pursuant to this 2020 Plan. The 2020 Plan allows for options to be issued to directors, officers, employees and consultants of the Company or a subsidiary of the Company. Options granted must be exercised no more than five years from the date of grant or such lesser period as may be determined by the Company's board of directors and in accordance with the policies of the Canadian Securities Exchange. The board of directors also determines the time period during which options shall vest and the method of vesting which are also subject to the policies of the Canadian Securities Exchange.

The grant date fair value is calculated using the Black-Scholes option pricing model. Where relevant, the expected life has been adjusted based on management's best estimate for the effects of historical forfeitures and behavioural considerations. Expected volatility is based on the historical share price volatility. The Black-Scholes option valuation model input factors for stock options granted during the year ended December 31, 2020 were as follows:

Grant date	Expiry date	Exercise price	Grant date market price	Risk-free interest rate	Expected life (years)	Expected volatility	Dividend yield	Fair value
2020-10-15	2025-10-15	\$ 0.46	\$ 0.46	0.30%	3.75	91.47%	-	0.2478
2020-06-16	2025-06-16	\$ 0.79	\$ 0.79	0.33%	3.75	91.47%	-	0.4949
2020-04-24	2025-04-24	\$ 0.76	\$ 0.76	0.39%	3.75	91.47%	-	0.4765
2020-04-09	2022-04-09	\$ 1.00	\$ 0.69	0.39%	1.50	75.91%	-	0.1704

The following table summarizes the number of stock options that the Company has outstanding at June 30, 2021 and December 31, 2020, including details of options granted, exercised, expired and forfeited during the period:

Grant date	Expiry date	Exercise price	Opening balance	Six-months ended June 30, 2021 Activity			Closing balance
				Granted	Exercised	Expired / Forfeited	
2017-03-24	2022-03-24	\$ 0.25	3,200,000		400,000	250,000	2,550,000
2017-06-30	2022-06-30	\$ 0.50	100,000				100,000
2018-04-12	2023-04-12	\$ 1.65	100,000				100,000
2018-07-18	2023-07-18	\$ 1.20	75,000			25,000	50,000
2019-03-01	2024-03-01	\$ 0.76	1,875,000			575,000	1,300,000
2019-06-14	2024-06-14	\$ 0.96	250,000				250,000
2019-12-11	2024-12-11	\$ 1.45	1,025,000			200,000	825,000
2020-04-09	2022-04-09	\$ 1.00	400,000				400,000
2020-04-24	2025-04-24	\$ 0.76	1,475,000			225,000	1,250,000
2020-06-16	2025-06-16	\$ 0.79	250,000				250,000
2020-10-15	2025-10-15	\$ 0.46	400,000				400,000
<b>2021 totals</b>			<b>9,150,000</b>	<b>-</b>	<b>400,000</b>	<b>1,275,000</b>	<b>7,475,000</b>

**EnviroMetal Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

Grant date	Expiry date	Exercise price	Opening balance	Fiscal Year 2020 Activity			Closing balance
				Granted	Exercised	Expired / Forfeited	
2017-03-24	2022-03-24	\$ 0.25	4,470,000		1,210,000	60,000	3,200,000
2017-06-30	2022-06-30	\$ 0.50	100,000				100,000
2018-04-12	2023-04-12	\$ 1.65	200,000			100,000	100,000
2018-07-18	2023-07-18	\$ 1.20	125,000			50,000	75,000
2019-03-01	2024-03-01	\$ 0.76	2,200,000			325,000	1,875,000
2019-06-14	2024-06-14	\$ 0.96	250,000				250,000
2019-12-11	2024-12-11	\$ 1.45	1,400,000			375,000	1,025,000
2020-04-09	2022-04-09	\$ 1.00		400,000			400,000
2020-04-24	2025-04-24	\$ 0.76		1,550,000		75,000	1,475,000
2020-06-16	2025-06-16	\$ 0.79		250,000			250,000
2020-10-15	2025-10-15	\$ 0.46		400,000			400,000
<b>2020 totals</b>			<b>8,745,000</b>	<b>2,600,000</b>	<b>1,210,000</b>	<b>985,000</b>	<b>9,150,000</b>

The outstanding options as at June 30, 2021 have a weighted average remaining contractual life of 2.29 years (December 31, 2020 – 2.76 years).

**(c) Warrants**

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

On March 23 and 25, 2020, pursuant to a private placement disclosed in Note 11 (a), the Company issued 3,344,001 units consisting of one common share and one common share purchase warrant (March Warrant), entitling the holder to purchase one common share in the capital of the Company for a period of 24 months at an exercise price of \$1.00. The expiry date of the March Warrants is subject to acceleration as follows: If at any time after July 25, 2020, the closing price (or closing bid price on days when there are no trades) of the common shares on the Canadian Securities Exchange exceeds \$2.00 for 15 consecutive trading days, the Company may elect to issue March Warrant holders a notice of acceleration of the expiry date, being 30 days after the date on which notice of the new date is sent to the Warrant holders.

In connection with the private placement, the Company issued 41,250 compensation warrants (March Compensation Warrants). Each March Compensation Warrant entitles the holder to purchase one unit (consisting of one common share and one common share purchase warrant) at the private placement offering price of \$0.75 per unit until March 23, 2022. Each underlying common share purchase warrant will be subject the same terms as the March Warrants. The fair value of the March Compensation Warrants was estimated at \$12,090 using the Black-Scholes pricing model.

On December 30, 2020, pursuant to a private placement disclosed in Note 11 (a), the Company issued 17,825,001 units consisting of one common share and one common share purchase warrant (December Warrant), entitling the holder to purchase one common share in the capital of the Company until December 30, 2022 at an exercise price of \$0.50. The expiry date of the December Warrants is subject to acceleration as follows: If at any time after April 30, 2021, the closing price (or closing bid price on days when there are no trades) of the common shares on the Canadian Securities Exchange exceeds \$1.50 for 15 consecutive trading days, the Company may elect to issue December Warrant holders a notice of acceleration of the expiry date, being 30 days after the date on which notice of the new date is sent to the Warrant holders.

## EnviroMetal Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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*(Unaudited, expressed in Canadian dollars)*

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In connection with the private placement, the Company issued 618,100 compensation warrants (December Compensation Warrants). Each December Compensation Warrant entitles the holder to purchase one common share in the capital of the Company until December 30, 2021 at an exercise price of \$0.50. The fair value of the December Compensation Warrants was estimated at \$121,704 using the Black-Scholes pricing model.

The Company has allocated the gross proceeds from the unit issuance between the common shares and warrants using their relative fair values.

As at June 30, 2021 and December 31, 2020, 21,828,352 warrants are outstanding, as follows:

Issue date	Expiry date	# Warrants	Exercise price
2020-03-23	2022-03-23	2,598,867	\$ 1.00
2020-03-25	2022-03-25	745,134	\$ 1.00
2020-03-23	2022-03-23	41,250	\$ 0.75
2020-12-30	2022-12-30	17,825,001	\$ 0.50
2020-12-30	2021-12-30	618,100	\$ 0.50
<b>Total</b>		<b>21,828,352</b>	
Weighted average exercise price			\$ 0.58

The weighted average remaining contractual life of the warrants is 1.35 years (December 31, 2020 – 1.85 years).

## 12. Government stimulus subsidies

The Company has participated in available stimulus subsidies offered by the Federal Governments of Canada to help offset the negative impact of the COVID-19 pandemic.

### (a) Canada Emergency Wage Subsidy (CEWS)

The CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. During the three and six-month periods ended June 30, 2021, the Company recognized \$104,492 and \$213,640, respectively (2020 - \$117,247) in government wage subsidy income as reductions of management and employee costs.

### (b) Canada Emergency Rent Subsidy (CERS)

The CERS provides qualifying companies with a monthly financial support grant based on eligible expenses, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. During the three and six-month periods ended June 30, 2021, the Company recognized \$34,005 and \$85,907, respectively, in government rent subsidy income as reductions of operating costs, and \$9,654 and \$24,390 as reduction of office and general expenses (2020 - \$nil).

### (c) Canada Emergency Business Account (CEBA)

On May 8, 2020, the Company received an interest-free loan of \$40,000 from the government of Canada pursuant to the CEBA program. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$10,000.

### (d) National Research Council of Canada Industrial Research Assistance Program (IRAP)

IRAP provides companies with qualifying research projects with a monthly financial grant based on eligible wages

## EnviroMetal Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited, expressed in Canadian dollars)

expenses. During the three and six-month periods ended June 30, 2021, the Company recognized \$18,577 and \$54,094, respectively (2020 - \$28,329 and \$31,560, respectively) in government wage subsidy income as reductions of management and employee costs.

### 13. Nature of expenses

The components of general and administration for the three and six-month periods ended June 30, 2021 and 2020 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Consulting fees	\$ 43,388	\$ 500	\$ 80,589	\$ 27,976
Office and general	78,641	121,338	119,884	178,743
Professional fees	240,296	111,389	333,897	156,030
Public Company Costs	184,299	127,992	304,141	266,782
Travel	906	54,561	3,146	144,441
	<u>547,530</u>	<u>415,780</u>	<u>841,657</u>	<u>773,972</u>

### 14. Supplemental cash flow disclosures

Supplemental details of the changes in non-cash working capital for the three and six-month periods ended June 30, 2021 and 2020 were as follows:

	Six months ended June 30,	
	2021	2020
Changes in non-cash working capital impacting cashflows from operating activities were as follows:		
Trade and other receivable	\$ (154,381)	\$ 149,581
Inventories and assets held for sale	(2,860)	(283,791)
Prepaid expenses and deposits	(81,903)	(4,900)
Deferred revenues	75,000	-
Equity contribution from minority shareholder	114,293	498,949
Accounts payable and accrued liabilities	(577,910)	(336,206)
	<u>(627,761)</u>	<u>23,632</u>

### 15. Key management compensation

Key management and director compensation for the three and six-month periods ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Board Fees	\$ 63,210	\$ 79,888	\$ 127,336	\$ 155,101
Salaries and consulting fees	223,750	190,375	441,333	355,375
Share-based payments	-	857,380	-	857,380
Other	4,200	27,000	9,800	64,250
	<u>291,160</u>	<u>1,154,643</u>	<u>578,469</u>	<u>1,432,106</u>

## **EnviroMetal Technologies Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended June 30, 2021 and 2020

*(Unaudited, expressed in Canadian dollars)*

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#### **16. Management of capital**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. 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, acquire or dispose of assets, or acquire new debt. The Company does not currently pay dividends.

The realization of the Company's long-range strategic objectives is dependent on its ability to generate revenues and raise financing from shareholders or lenders. Management continues to regularly review and consider financing alternatives to fund the Company's future operations and development efforts.

The Company considers the components of shareholders' equity to be its capital. The Company is not subject to any externally imposed capital requirements.

#### **17. Financial instruments and risks**

The Company's existing business involve the operation on its plant and use of its proprietary technology for the extraction of precious metals for the mining and E-waste sectors, which exposes the Company to a variety of financial instrument related risks. These risks include foreign currency risk, credit risk, liquidity risk, market risk and other risks. The Company's board of directors provides oversight for the Company's risk management processes.

##### **(a) Foreign currency risk**

The Company is exposed to currency risk due to business transactions in foreign countries. The Company mainly transacts in Canadian dollars and United States dollars. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 June 30, 2021 and December 31, 2020, the Company was not exposed to significant interest rate risk.

At June 30, 2021, the Company has net liabilities of USD 75,664 due in USD (December 31, 2020 – USD 751,313). A 10% weakening against the US dollar of the currencies to which the Company had exposure would have had a \$9,378 impact on net liabilities (December 31, 2020 - \$95,660). A 10% strengthening against the US dollar would have had the opposite effect.

##### **(b) Credit risk**

The Company's credit risk is primarily attributable to cash and trade and other 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 June 30, 2021 and December 31, 2020, management considers the Company's exposure to credit risk is minimal.

##### **(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The

## EnviroMetal Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at June 30, 2021, the Company had a cash balance of \$2,938,305 (December 31, 2020 \$5,511,314) to settle current liabilities of \$1,005,276 (December 31, 2020 - \$1,584,828).

June 30, 2021

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Trades payable and accrued liabilities	\$ 728,586	\$ -	\$ -	\$ -	\$ 728,586
Due to related parties	62,263	-	-	-	62,263
CEBA loan	40,000	-	-	-	40,000
Lease liabilities	27,626	99,427	-	-	127,053
Advance royalty payable	-	-	-	-	-

December 31, 2020

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Trades payable and accrued liabilities	\$ 1,048,974	\$ -	\$ -	\$ -	\$ 1,048,974
Due to related parties	202,682	-	-	-	202,682
CEBA loan	40,000	-	-	-	40,000
Lease liabilities	247,623	60,955	-	-	308,578
Advance royalty payable	-	91,098	91,098	350,195	532,391

So far, the Company is not profitable and has had to rely on 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.

#### (d) Fair value

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques using input 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);

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data.

The carrying value of the Company's financial assets and liabilities approximate their fair values due to their nature and their short-term to maturity, except for the long-term debt described below:

	June 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Advanced royalty payable - level 2	\$ -	\$ -	\$ 981,154	\$ 532,391

## 18. Segmented information

The Company has one operating segment, being the development and commercialization of precious metal extraction processes with applications in the primary and secondary metals sectors.

The total revenue recorded during the three and six-month periods ended June 30, 2021 and 2020 is allocated to the following income streams:

## EnviroMetal Technologies Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian dollars)

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	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Sales of recovered precious metals	563,121	-	601,191	126,959
Services related to intellectual property	(1,154)	43,750	3,977	130,218
	<u>561,967</u>	<u>43,750</u>	<u>605,168</u>	<u>257,177</u>

## 19. Commitments and contingencies

As at June 30, 2021 and December 31, 2020, the Company does not have contractual obligations other than those already disclosed.

The Company has made demands against Mineworx Technologies Ltd. (and its wholly-owned subsidiary, Mineworx Technologies Inc.) in connection with a joint venture agreement (JVA) with Mineworx dated August 29, 2017, and amended on February 14, 2020, an asset purchase agreement (APA) with Mineworx dated December 19, 2016, and the Company's intellectual property rights (IP Rights) in and to its technology and processes used in the extraction of precious and non-precious metals in the mining and e-waste sectors.

The Company has given Mineworx several notices of various breaches committed by Mineworx of certain provisions of the JVA and the APA as well as Mineworx's infringements of the Company's IP Rights. On April 5, 2021, the Company formally notified Mineworx that the JVA was terminated and the Company, as the JV manager, was entitled to commence to wind-up of the operations of the joint venture. Mineworx has disputed that it is in breach of the JVA and alleged that the Company has breached certain provisions of the JVA. Mineworx has also disputed the Company's entitlement to wind-up of the JVA.

In addition, and further to the APA and the Company's IP Rights, the Company has demanded that Mineworx cease using the Company's IP Rights, failing which, the Company has advised Mineworx that it may initiate civil claims against Mineworx for, among other things, breach of provisions of the APA and infringement of the Company's IP Rights. Despite these demands, it is apparent to the Company that Mineworx has not ceased using the Company's IP Rights. As a result, the Company commenced civil proceedings against Mineworx on June 21, 2021 for its breach of confidence and breach of contract in the Supreme Court of British Columbia (Claim). The Company is seeking various relief against Mineworx, including disgorgement of profits from Mineworx's breaches of confidence, punitive and aggravated damages, and an interlocutory and permanent injunction prohibiting Mineworx and its agents from using any confidential information or intellectual property belonging to the Company.

The Company's Claim also names Gregory Pendura and Donald Weatherbee (A former director and a former officer of the Company, both of whom are current officers of Mineworx) as defendants on the basis that they breached their fiduciary duties to the Company, including in relation to the IP Rights and certain expenses that Mr. Pendura and Mr. Weatherbee improperly allocated to the Company. Fabricio Maia and Shervin Peivast, Mineworx's employees who were provided with confidential access to the Company's laboratory and information after signing non-disclosure agreements, are also named defendants. A response to the Claim was filed by the defendants on August 13, 2021, along with a counterclaim. The potential value of such claims is indeterminable as of the date the Board of Directors approved these Interim Financial Statements.

In accordance with IFRS 9, the Company recorded an expected credit loss of \$350,292 related to amounts due to the Company from Mineworx during the year ended December 31, 2020, and \$117,104 during the three and six-month periods ended June 30, 2021 (2020 - \$nil).