Ecolomondo Corporation

Consolidated Financial Statements
December 31, 2018 and 2017

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Ecolomondo Corporation

Opinion

We have audited the consolidated financial statements of Ecolomondo Corporation (hereafter "the Company"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor’s responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor’s report thereon, included in Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mario Venditti.

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 24, 2019

[1] CPA auditor, CA public accountancy permit no. A121855

Ecolomondo Corporation
Consolidated Balance Sheets
December 31, 2018 and 2017
(In Canadian dollars)

	December 31, 2018	December 31, 2017
	$	$
ASSETS		
Current		
Cash	307,800	1,908,187
Term deposit, 2.30% maturing in November 2019 (various deposits with interest rates ranging from 1.40% and 2.15% in 2017)	505,913	2,002,560
Receivables (Note 4)	103,629	43,404
Investment tax credits receivable	56,816	297,812
Prepaid expenses	4,388	25,144
Total current assets	978,546	4,277,107
Non-current		
Term deposits, 2.85 % maturing in February 2020 (nil in 2017)	1,843,534	
Plant under construction	1,030,053	
Equipment (Note 5)	3,150,409	3,951,313
Intangible assets (Note 6)	70,184	350,937
Total non-current assets	6,094,180	4,302,250
Total assets	7,072,726	8,579,357
LIABILITIES		
Current		
Accounts payable and accrued liabilities	395,489	244,484
Deferred revenues (Note 7)	1,341,049	1,313,624
Current portion of long term debt (Note 10)	20,000	
Total current liabilities	1,756,538	1,558,108
Non-current		
Advances from a company under common control (Note 8)	1,518,826	1,518,553
Long term debt (Note 10)	180,000	
Deferred income taxes (Note 9)	781,176	1,060,692
Total non-current liabilities	2,480,002	2,579,245
Total liabilities	4,236,540	4,137,353
EQUITY		
Common shares (Note 11)	17,104,907	16,879,242
Warrants (Note 11)	571,000	573,760
Options (Note 11)	4,097,275	4,224,000
Deficit	(18,936,996)	(17,234,998)
Total equity	2,836,186	4,442,004
Total liabilities and equity	7,072,726	8,579,357

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Director

Director

Ecolomondo Corporation
Consolidated Statements of Loss and Comprehensive Loss

Years ended December 31, 2018 and 2017
(In Canadian dollars, except for number of shares)

	December 31, 2018	December 31, 2017
	$	$
Ancillary revenues (Note 12)	72,180	187,975
Expenses		
General and administrative expenses (Note 14)	346,494	4,258,749
Research and development (Note 14)	1,706,120	1,610,203
Financial expenses	1,080	662
Reverse takeover listing cost (Note 2)		1,473,486
Total expenses	2,053,694	7,343,100
Loss before income taxes	(1,981,514)	(7,155,125)
Income taxes		
Current		
Deferred	(279,516)	(229,764)
	(279,516)	(229,764)
Net loss and comprehensive loss	(1,701,998)	(6,925,361)
Net loss per share (Note 13)		
Basic and diluted	(0.01)	(0.06)
Weighted average number of common shares outstanding – basic and diluted	176,167,391	123,354,345

The accompanying notes are an integral part of the consolidated financial statements and Note 14 provides other information on consolidated loss and comprehensive loss.

Ecolomondo Corporation
Consolidated Statements of Changes in Equity
Years ended December 31, 2018 and 2017
(In Canadian dollars, except for number of shares)

	2018					
	Number of class "A" shares outstanding	Share capital	Warrants	Options	Deficit	Total equity
		$	$	$	$	$
Balance, December 31, 2017	175,967,598	16,879,242	573,760	4,224,000	(17,234,998)	4,442,004
Exercise of options (Note 11)	925,000	219,225		(126,725)		92,500
Exercise of warrants (Note 11)	36,800	6,440	(2,760)			3,680
Transactions with owners	176,929,398	17,104,907	571,000	4,097,275	(17,234,998)	4,538,184
Net loss and comprehensive loss for the year ended December 31, 2018					(1,701,998)	(1,701,998)
Balance, December 31, 2018	176,929,398	17,104,907	571,000	4,097,275	(18,936,996)	2,836,186

Ecolomondo Corporation
Consolidated Statements of Changes in Equity
Years ended December 31, 2018 and 2017
(In Canadian dollars, except for number of shares)

						2017
	Number of class "A" shares outstanding	Share capital	Warrants	Options	Deficit	Total equity
		$	$	$	$	$
Balance, December 31, 2016	13,810,000	8,772,114			(10,309,637)	(1,537,523)
Conversion of preferred shares (Note 2)		3,988,879				3,988,879
Conversion of advances (Note 2)		500,000				500,000
Share issuance as part of Qualifying Transaction (Note 2)	155,328,790	1,933,400				1,933,400
Deemed issuance of replacement warrants (Note 2)			12,000			12,000
Deemed issuance of replacement options (Note 2)				189,000		189,000
Private Placement (Note 2)	6,705,608	2,346,963				2,346,963
Private Placement – share purchase warrants attached to Units (Note 2)		(526,000)	526,000			
Broker warrants (Note 2)		(45,000)	45,000			
Unit issue expenses (Note 2)		(112,674)				(112,674)
Issuance of options (Note 11)				4,035,000		4,035,000
Exercise of warrants (Note 11)	123,200	21,560	(9,240)			12,320
Transactions with owners	175,967,598	16,879,242	573,760	4,224,000	(10,309,637)	11,367,365
Net loss and comprehensive loss for the year ended December 31, 2017					(6,925,361)	(6,925,361)
Balance, December 31, 2017	175,967,598	16,879,242	573,760	4,224,000	(17,234,998)	4,442,004

The accompanying notes are an integral part of the consolidated financial statements.

Ecolomondo Corporation
Consolidated Statements of Cash Flows
Years ended December 31, 2018 and 2017
(In Canadian dollars)

	December 31, 2018	December 31, 2017
	$	$
OPERATING ACTIVITIES		
Net loss	(1,701,998)	(6,925,361)
Cash held in trust		1,030,263
Non-cash items		
Reverse takeover listing cost		1,473,486
Stock-based compensation		4,035,000
Interest income	(46,887)	
Depreciation of equipment	594,795	629,330
Amortization of intangible assets	280,753	280,753
Deferred income taxes	(279,516)	(229,764)
Loss on disposal of equipment	63,109	
Changes in working capital items (Note 15)	219,861	257,422
Net cash provided by (used for) operating activities	(869,883)	551,129
INVESTING ACTIVITIES		
Investments in term deposits	(4,350,748)	(2,002,560)
Disposal of term deposits	4,050,748	
Disposal of equipment	143,000	
Plant under construction	(669,957)	
Cash acquired from reverse takeover		653,248
Net cash used for investing activities	(826,957)	(1,349,312)
FINANCING ACTIVITIES		
Advances from a company under common control	273	416,411
Net proceeds from issuance of units from Private Placement		2,234,289
Proceeds from exercise of warrants	3,680	12,320
Proceeds from exercise of options	92,500	
Net cash provided by financing activities	96,453	2,663,020
Net increase (decrease) in cash	(1,600,387)	1,864,837
Cash, beginning of year	1,908,187	43,350
Cash, end of year	307,800	1,908,187

The accompanying notes are an integral part of the consolidated financial statements.

1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND CHANGE IN CORPORATE NAME

Ecolomondo Corporation (formerly Cortina Capital Corp.) (the "Company") was incorporated on September 30, 2015 under the Canada Business Corporations Act. Prior to October 20, 2017, the Company was listed on the TSX Venture Exchange (the "Exchange"), according to the provisions of Policy 2.4 of the *TSX Venture Exchange Corporate Finance Manual.*

On October 20, 2017, the Company completed its qualifying transactions (the "Qualifying Transaction") pursuant to the rules and policies of the Exchange by acquiring 100% of the issued and outstanding shares of Ecolomondo Corporation Inc. ("Ecolomondo"). Ecolomondo changed name during the year 2018 to Ecolomondo Environmental (Contrecoeur) Inc. With the completion of the Qualifying Transaction, the Company is now a development stage clean tech company conducting research and development focused on the design, engineering and development of a Thermal Decomposition Process ("TDP") using a pyrolysis platform that converts hydrocarbon waste into marketable commodity end-products, namely carbon black substitute, oil, gas and steel.

The Company's planned principal business is the manufacture and sale of turnkey facilities based on this technology platform as well as the collection of royalties from their operation or the operation of these facilities through wholly-owned or jointly-owned companies.

Following the completion of the Qualifying Transaction, the Board of Directors approved the change of name of the Company to Ecolomondo Corporation.

The head office and the registered head office of the Company is located at 3435 Pitfield Boulevard, Saint-Laurent, Quebec, Canada.

2 - REVERSE TAKEOVER AND RELATED TRANSACTIONS

On April 7, 2017, the Company and Ecolomondo entered into a share purchase agreement whereby the Company agreed to acquire all of the issued and outstanding shares of Ecolomondo in exchange for shares of the Company (the "Transaction"). This Transaction constituted the Company's Qualifying Transaction under the policies of the Exchange.

In accordance with IFRS 3 Business Combinations, the substance of the Transaction is a reverse acquisition of a non-operating company as the shareholders of Ecolomondo hold the majority of the shares of the Company. The Transaction does not constitute a business combination as the Company does not meet the definition of a business under that standard. As a result, the Transaction is accounted for in accordance with IFRS 2 *Share-based Payment* , with Ecolomondo being identified as the acquirer and the equity consideration being measured at fair value. Accordingly, the resulting balances and transactions for periods prior to October 20, 2017 are those of Ecolomondo.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2018 and 2017
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2 - REVERSE TAKEOVER AND RELATED TRANSACTIONS (Continued)

Prior to the closing of the Transaction, the following transactions occurred:

a) Conversion of Ecolomondo's 3,988,879 issued and outstanding preferred shares into common shares of Ecolomondo at a conversion ratio of 0.55 preferred shares to one common share, thereby resulting in the issuance of an additional 7,252,507 common shares of Ecolomondo.

b) Conversion of $500,000 of advances from companies under common control in Ecolomondo into common shares of Ecolomondo at a conversion ratio of 0.55 in advances to one common share, thereby resulting in the issuance of an additional 909,091 common shares of Ecolomondo.

Upon the closing of the Transaction, 155,328,790 shares were issued to the shareholders of Ecolomondo to acquire all of the issued and outstanding shares of Ecolomondo taking into account an exchange ratio of 5.5 shares of the Company for each share of Ecolomondo. The Transaction is equivalent to the issuance of shares by Ecolomondo for the net assets of the Company and a public listing.

The fair value of the consideration for the net assets acquired by Ecolomondo is as follows:

	$
13,810,000 shares issued and outstanding of the Company	1,933,400
Fair value of options issued to officers and directors of the Company	189,000
Fair value of outstanding warrants of the Company	12,000
	2,134,400

The fair value of the Company's shares issued and outstanding as well as the options and warrants outstanding was determined based on the fair value the Company's shares were trading at prior to the announcement of the Transaction at $0.14 per share.

The estimated fair value of the net assets acquired and the cost of obtaining the listing is:

	$
Cash	653,248
Sales taxes receivable	22,069
Accrued liabilities	(14,403)
Net assets acquired	660,914
Listing cost expensed	1,473,486
	2,134,400

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2018 and 2017
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2 - REVERSE TAKEOVER AND RELATED TRANSACTIONS (Continued)

Following the closing of the Transaction, the issued and outstanding options to officers and directors of the Company will continue to be in effect with their original terms and conditions and are deemed to be issued as part of the Transaction. The fair value has been estimated at $189,000 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.90%
Expected dividend yield	Nil
Expected volatility	150%
Expected life	100 months
Share price	$ 0.14

Following the closing of the Transaction, the outstanding warrants were cancelled and replacement warrants were issued equal to the number outstanding prior to the closing, on the same terms as the original warrants. Such warrants are deemed to be issued as part of the Transaction and their fair value has been estimated at $12,000 using the Black-Scholes option pricing model with following conditions:

Risk-free interest rate	0.75%
Expected dividend yield	Nil
Expected volatility	150%
Expected life	7 months
Share price	$ 0.14

Concurrent with the Transaction, the Company completed a private placement (the "Private Placement") for gross proceeds of $2,346,963 by the issuance of 6,705,608 units (the “Units”) at a price of $0.35 per Unit. Each Unit is comprised of one common share and one-half common share purchase warrant of the Company. Each full warrant entitles its holder to purchase one common share at a price of $0.50 per common share for an 18-month period following the closing of the Transaction.

The fair value of the 3,352,804 share purchase warrants has been estimated at $678,000 using the Black-Scholes option pricing model with the following conditions:

Risk-free interest rate	1.40%
Expected dividend yield	Nil
Expected volatility	150%
Expected life	18 months

From the total proceeds of $2,346,963 received from the Units, $526,000 have been allocated to warrants and $1,820,963 to share capital based on a pro-rata allocation of the estimated fair value of each of the two components.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2018 and 2017
(In Canadian dollars, except for number of shares, warrants and options)

2 - REVERSE TAKEOVER AND RELATED TRANSACTIONS (Continued)

The broker of the Private Placement received a fee equal to $74,127 from the sale of the Units which was accounted for as a reduction in share capital.

The broker of the Private Placement was also granted 211,791 warrants entitling the broker to purchase 211,791 common shares, exercisable in whole or in part at $0.42 for an 18-month period following the issuance of the Units. Their fair value has been estimated at $45,000 using the Black-Scholes option pricing model with the following conditions:

Risk-free interest rate	1.40%
Expected dividend yield	Nil
Expected volatility	150%
Expected life	18 months

The fair value of the new warrants was determined using a share price of $0.35 per share. The underlying volatility for all options and warrants was determined by reference to historical data of comparable entities.

Other transaction costs directly related to the Private Placement amounted to $38,547 and were accounted for as a reduction in share capital.

3 - SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with IFRS

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements for the year ended December 31, 2018 were authorized for issuance by the Board of Directors on April 24, 2019.

New standards adopted as at January 1, 2018

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses accounting for financial assets and financial liabilities, classification and measurement, recognition and derecognition, hedge accounting and impairment. The Company adopted IFRS 9 on January 1, 2018 and the adoption of this new standard did not result in any significant impact on the Company's consolidated financial statements.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards adopted as at January 1, 2018 (Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue,* IAS 11 *Construction Contracts* and some revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenues. The Company adopted IFRS 15 on January 1, 2018. The Company is not generating any significant revenues at this time and, therefore, the adoption of this new standard did not have a significant impact on the Company's consolidated financial statements.

Standards, amendments and interpretation to existing standards that are not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all the relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 16 Leases

IFRS 16 *Leases* replaces IAS 17 *Leases.* IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the consolidated balance sheet for all leases with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 will be effective for annual reporting periods beginning on or after January 1, 2019, with early application permitted in certain circumstances. Management does not expect the impact of this new standard to have a significant effect on its consolidated financial statements as its leases are not significant.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies below.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2018 and 2017
(In Canadian dollars, except for number of shares, warrants and options)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of Ecolomondo, Ecolomondo Environmental (Hawkesbury) Inc. (incorporated in 2018) and 9083-5018 Quebec Inc., directly or indirectly, wholly-owned subsidiaries. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of December 31. All intercompany balances and transactions have been eliminated upon consolidation.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. Accordingly, monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the end of each reporting period. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates during the reporting period. The related gains or losses are accounted for in the consolidated statements of comprehensive loss. The Company has not utilized any foreign currency hedging strategies to mitigate the effect of its foreign currency exposure.

Plant under construction

Plant under construction includes any cost that is directly attributable to the construction of a new plant and to bringing the plant to the condition necessary for it to be capable of operating in the manner intended by management. Such costs include the cost of the land, as well as borrowing costs that are directly attributable to the construction.

Equipment

Equipment is accounted for at cost less accumulated depreciation. Depreciation is based on estimated useful life using the straight-line method, and the following periods:

	Periods
Reactor	15 years
Shredder	15 years
Office equipment	5 years
Other equipment	5 years

Estimates of useful life are updated as required and are reviewed at least annually. Maintenance and repairs are expensed as incurred.

The plant under construction is not amortized until construction is complete and operating in the manner intended by management.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2018 and 2017
(In Canadian dollars, except for number of shares, warrants and options)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets include patents acquired, which are amortized on a straight-line basis over their estimated legal lives. At the time of acquisition, estimated legal lives approximated ten years, including patent renewals.

Impairment testing of plant under construction, equipment and intangible assets

For impairment assessment purposes, assets are grouped at the lowest level for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Any impairment loss is charged to the individual asset or on a pro rata basis to the assets in a cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

As at December 31, 2018 and 2017, the Company determined that there was no impairment of equipment nor the intangible assets.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification and initial measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. In periods presented, the Company only has financial instruments classified at amortized cost. Previously, these financial assets fell into the loans and receivables category of IAS 39 and were also measured at amortized cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company's cash, receivables (excluding sales taxes receivable) and term deposits are classified in the category of amortized cost upon initial recognition. Receivables from the sale of by-products that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Subsequent measurement

In subsequent periods, the measurement of financial instruments depends on their classification.

The Company measures financial assets at amortized cost if the assets meet the following conditions:

a) They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

b) The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company recognizes a loss allowance for expected credit losses arising from financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial information.

The Company applies a simplified approach for calculating expected credit losses for trade and other receivables. The Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Classification and subsequent measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by IFRS 9.

The Company’s financial liabilities include accounts payable and accrued liabilities, certain deferred revenues, advances from a company under common control and long-term debt.

Financial liabilities are measured subsequently at amortized cost using the effective interest method and all revenues and expenses relating to financial liabilities are recognized in consolidated loss.

Revenue recognition

Sale of facilities

When a letter of intent is signed for the potential sale of a facility, a deposit representing a commitment fee is received in anticipation of signing a contract for the sale of the facility. Such deposits are presented as deferred revenues. If the contract is signed, the commitment fee is credited against the contract price. If the potential buyer chooses not to proceed with the project, the commitment fee is retained by the Company and recognized in revenue upon the termination of the letter of intent.

As at December 31, 2018 and 2017, there were no contracts signed for the sale of facilities.

Ancillary revenues

The sale of by-products contains a single performance obligation to transfer such goods. Revenue is recognized when control of goods has transferred to customers. Control is considered transferred in accordance with the terms of sale, generally when goods are shipped to external customers as that is generally when legal title, physical possession and risks and rewards of goods/services transfers to the customers.

Research and development costs and investment tax credits

Research expenses and development costs that do not meet the criteria for capitalization are expensed as they are incurred. Such costs consist primarily of materials and employee related expenses including salaries and benefits.

Investment tax credits are accounted for during the year in which the research and development costs are incurred, provided that the Company is reasonably assured that the credits will be received. The investment tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

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3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital, warrants and options

Class "A" shares, warrants and options are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

Units

Proceeds from issuance of units are allocated between share capital and warrants according to their relative fair values. The Company uses the share price at the date of issuance for the fair value of the shares and the Black-Scholes pricing model to determine the fair value of the warrants.

Income taxes

Tax expense recognized in consolidated comprehensive loss comprises the sum of current and deferred taxes that are not recognized directly in equity.

Current tax is based on the results for the period as adjusted for items that are not taxable or deductible. Current tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date.

Deferred income taxes are calculated using the liability method. Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date, and which are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

The carrying amounts of deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Share-based compensation and other share-based payments

The Company has a stock option plan under which directors, executives, employees and consultants can be granted stock options of the Company.

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3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based compensation and other share-based payments (Continued)

The fair value is measured at the grant date and recognized as an expense in profit or loss with a corresponding amount to options in equity over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Any consideration paid by the employees on exercise or purchase of stock options is credited to share capital. The value attributed to stock options is transferred to share capital at the issuance of common shares.

In the normal course of operations, the Company grants shares in exchange for goods or services to parties other than staff members. For these transactions, the Company evaluates the goods or services received and the increase in equity, which is the counterpart, directly to the fair value of goods or services received, unless that fair value cannot be reliably estimated. In this case, the fair value is the value of shares issued on the market at the date the goods or services are received.

Basic and diluted net loss per share

The Company presents basic and diluted loss per share data for its common shares calculated by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss and the weighted average number of common shares outstanding for the effects of all warrants and stock options that may add to the total number of common shares in the case where they would not have an anti-dilutive impact.

For the years ended December 31, 2018 and 2017, the diluted loss per share was the same as the basic loss per share since the options and warrants had an anti-dilutive effect (Note 12). Accordingly, the basic and diluted loss per share for those years were calculated using the basic weighted average number of shares outstanding.

Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses.

Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant management judgment (Continued)

Capitalization of development costs

Determining whether the recognition requirements for the capitalization of development costs of the TDP are met requires judgment. As at December 31, 2018 and 2017, the Company determined that not all recognition requirements were met. Thus, the Company did not record any development costs in the consolidated balance sheets for the years ended December 31, 2018 and 2017.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, revenues and expenses is provided below. Actual results may be substantially different.

Impairment of plant under construction, equipment and intangible assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. As at December 31, 2018 and 2017, the Company determined that there was no impairment of plant under construction, equipment nor the intangible assets.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain equipment.

Investment tax credits

Investment tax credits related to research and development activities are accounted for during the year in which the related research and development expenses are incurred. The investment tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted by the tax authorities will differ from the amounts recorded.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility determined by reference to historical data of comparable entities, the probable life of options and warrants granted and the time of exercise of those options and warrants. The model used by the Company is the Black-Scholes valuation model (see Notes 2 and 11).

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4 - RECEIVABLES

	December 31, 2018	December 31, 2017
	$	$
Sales taxes receivable	76,241	41,904
Employee advances	1,500	1,500
Receivables from the sale of by-products	25,888	
	103,629	43,404

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5 - EQUIPMENT

	Reactor	Shredder	Office equipment	Other equipment	Total
	$	$	$	$	$
Cost as at December 31, 2016	8,700,968	530,020	17,094	1,832,783	11,080,865
Accumulated depreciation as at December 31, 2016	4,390,429	273,846	17,094	1,818,853	6,500,222
Depreciation	580,065	35,335		13,930	629,330
Accumulated depreciation as at December 31, 2017	4,970,494	309,181	17,094	1,832,783	7,129,552
Balance as at December 31, 2017	3,730,474	220,839	–	–	3,951,313
Cost as at December 31, 2017	8,700,968	530,020	17,094	1,832,783	11,080,865
Disposal		(530,020)			(530,020)
Cost as at December 31, 2018	8,700,968		17,094	1,832,783	10,550,845
Accumulated depreciation as at December 31, 2017	4,970,494	309,181	17,094	1,832,783	7,129,552
Depreciation	580,065	14,730			594,795
Disposals		(323,911)			(323,911)
Accumulated depreciation as at December 31, 2018	5,550,559		17,094	1,832,783	7,400,436
Balance as at December 31, 2018	3,150,409	–	–	–	3,150,409

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6 - INTANGIBLE ASSETS

	Patents
Cost as at December 31, 2017	2,807,525
Accumulated amortization as at December 31, 2016	2,175,835
Amortization	280,753
Accumulated amortization as at December 31, 2017	2,456,588
Balance as at December 31, 2017	350,937
Cost as at December 31, 2018	2,807,525
Accumulated amortization as at December 31, 2017	2,456,588
Amortization	280,753
Accumulated amortization as at December 31, 2018	2,737,341
Balance as at December 31, 2018	70,184

Intangible asset amortization will be $70,184 in 2019. The intangible assets will be completely amortized by April 30, 2019.

7 - DEFERRED REVENUES

As at December 31, 2018, the deferred revenues are composed of two customer deposits on the signing of two letters of intent for the purchase of two facilities. One of the deposits is for an amount of $1,000,000 ($1,000,000 as at December 31, 2017). Of this amount, $100,000 represent a non-refundable commitment fee. This commitment fee together with an amount of $600,000 will be credited against the contract price. The balance of $300,000 will be held until such time as a facility that has received final completion has been delivered to the potential buyer. If a contract for the sale of a facility is not signed, then the Company will retain $500,000 and the remaining $500,000 will be returned to the potential buyer.

The second customer deposit is for US$250,000 ($341,049 as at December 31, 2018; $313,624 as at December 31, 2017).

8 - ADVANCES FROM A COMPANY UNDER COMMON CONTROL

During the year ended December 31, 2017, as part of the Qualifying Transaction and concurrent Private Placement, 3212521 Canada Inc. agreed to defer repayment of the non-interest bearing advances for a minimum period of 24 months from October 20, 2017 and subsequently, 3212521 Canada Inc. deferred repayment of the advances until January 1, 2020. Accordingly, such amounts are classified as long-term.

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8 - ADVANCES FROM A COMPANY UNDER COMMON CONTROL (Continued)

	December 31, 2018	December 31, 2017
	$	$
Advance from a company under common control – 3212521 Canada Inc.	1,518,826	1,518,553

9 - INCOME TAXES

As at December 31, 2018, the Company has net operating loss carry-forwards of approximately $6,245,000 ($6,176,000 as of December 31, 2017) that may be available to reduce taxable income in future years in various amounts through 2036. The Company has determined that the realization of the future tax benefits arising from the net operating loss carry-forwards is not likely to occur and, therefore, deferred tax assets have been recognized in the consolidated financial statements to the extent that taxable temporary differences exist to offset them.

Deferred taxes arising from temporary differences and unused tax losses are summarized as follows:

	January 1, 2018	Recognized in comprehensive loss	December 31, 2018
	$	$	$
Deferred tax liabilities (assets)			
Non-current assets			
Equipment	1,060,692	(214,516)	846,176
Intangible assets	94,000	(76,000)	18,000
Unused tax losses	(94,000)	11,000	(83,000)
	1,060,692	(279,516)	781,176

	January 1, 2017	Recognized in comprehensive loss	December 31, 2017
	$	$	$
Deferred tax liabilities (assets)			
Non-current assets			
Equipment	1,219,456	(158,764)	1,060,692
Intangible assets	170,000	(76,000)	94,000
Unused tax losses	(99,000)	5,000	(94,000)
	1,290,456	(229,764)	1,060,692

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9 - INCOME TAXES (Continued)

Unused tax losses and deductible temporary differences for which no deferred tax assets have been recognized on the consolidated financial statements are as follows:

	December 31, 2018	December 31, 2017
	$	$
Tax losses	5,932,000	5,821,000
Financing costs	141,000	196,000
	6,073,000	6,017,000

The following table presents the year of expiration of the Company's unused tax losses carried forward for which no deferred tax assets have been recognized as at December 31, 2018:

	$
2029	191,000
2030	420,000
2031	639,000
2032	237,000
2034	1,008,000
2035	551,000
2036	1,231,000
2037	208,000
2038	1,447,000
	5,932,000

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the Company's effective income tax rate is detailed as follows:

	December 31, 2018	December 31, 2017
	%	%
Combined federal and provincial income tax rate	26.70	26.80
Deferred tax assets not recognized	(11.87)	(3.85)
Stock-based compensation		(15.11)
Reverse takeover listing cost		(5.52)
Other	(0.72)	0.89
	14.11	3.21

The Company has investment tax credits related to research and development amounting to $110,800 that have not been recognized in the consolidated financial statements as such credits are not reimbursable rather they are available to reduce future taxable income.

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10- LONG TERM DEBT	December 31, 2018	December 31, 2017
	$	$
Balance of purchase price, payable in 10 equal annual instalments of $20,000, bearing interest at 3%	200,000	
Current portion	20,000	
	180,000	–

11 - SHARE CAPITAL

a) Share capital

The Company is authorized to issue an unlimited number of class "A", "B", "C", "D", "E" and "F" shares of no par value with the following restrictions and privileges:

Class "A" shares, voting, participating, dividend as declared by the Board of Directors;

Class "B" shares, non-voting, participating, dividend as declared by the Board of Directors;

Class "C" shares, voting (100 voting rights per share), non-participating, redeemable at the option of the Company or their holders at the redemption value;

Class "D" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, non-cumulative monthly dividend equal to one percent (1%) of the redemption value as voted by the Board of Directors;

Class "E" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, preferred non-cumulative monthly dividend equal to three quarters of one percent (0.75%) of the redemption value as voted by the Board of Directors;

Class "F" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, preferred cumulative monthly dividend equal to one-twelfth (1/12) of the prime rate of the Company's bank in effect on the first day of each month; such dividend is declared calculated on the redemption value as voted by the Board of Directors.

Issued and outstanding

	2018	2017
	$	$
176,929,398 class "A" shares (175,967,598 in 2017)	17,104,907	16,879,242

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11 - SHARE CAPITAL (Continued)

a) Share capital (continued)

(i) 7,000,000 class "A" shares originally issued in 2015 as part of a seed offering were deposited in escrow.

Under an escrow agreement, 10% of the escrowed shares were released from escrow on the issuance of the Final Exchange Bulletin by TSX Venture Exchange Inc. (the "Initial Release") and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

(ii) As part of the Qualifying Transaction (Note 2) 155,328,790 class "A" shares were issued, of which 6,264,330 class "A" shares are subject to an escrow agreement with the same release mechanism as the original seed shares under escrow. An additional 138,512,474 class "A" shares and 456,000 stock options are also subject to an escrow agreement, of which 5% of such shares were released from escrow on the Initial Release, an additional 5%, 6 months following the Initial Release, an additional 10%, on the dates which are 12 and 18 months following the Initial Release, an additional 15%, on the dates which are 24 and 30 months following the Initial Release and the final 40% will be released on the date which is 36 months following the Initial Release. As at December 31, 2018, a total of 118,768,577 class "A" shares remain in escrow (143,524,747 as at December 31, 2017).

b) Warrants

A continuity of broker warrants and warrants attached to the Units and their related recorded values is set out as follows:

	Number of warrants	Amount	Weighted average exercise price
		$	$
Balance as at December 31, 2016	–	–	-
Deemed issuance of replacement warrants (i)	160,000	12,000	0.10
Exercise of warrants	(123,200)	(9,240)	0.10
Private Placement – share purchase warrants attached to Units (Note 2)	3,352,804	526,000	0.50
Private Placement – broker warrants (Note 2)	211,791	45,000	0.42
Balance as at December 31, 2017	3,601,395	573,760	0.49

	Number of warrants	Amount	Weighted average exercise price
		$	$
Balance as at December 31, 2017	3,601,395	573,760	0.49
Exercise of warrants (i)	(36,800)	(2,760)	0.10
Balance as at December 31, 2018	3,564,595	571,000	0.49

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11 - SHARE CAPITAL (Continued)

b) Warrants (continued)

(i) On May 17, 2016, Haywood Securities Inc. (the "Agent") was granted 160,000 warrants to purchase class "A" shares of the Company. Each warrant entitles the holder to purchase one class "A" share at $0.10 for a period of 24 months. In November 2017, 123,200 warrants were exercised for proceeds amounting to $12,320. In January 2018, February 2018 and May 2018, 5,600, 24,800 and 6,400 were exercised, respectively, for total proceeds amounting to $3,680.

The following table summarizes information about warrants outstanding for the year ended December 31, 2017:

Exercise price	Number of warrants	Amount	Weighted average remaining contractual life
$		$	Years
0.10	36,800	2,760	0.37
0.42	211,791	45,000	1.30
0.50	3,352,804	526,000	1.30
	3,601,395	573,760	1.30

The following table summarizes information about warrants outstanding for the year ended December 31, 2018 :

Exercise price	Number of warrants	Amount	Weighted average remaining contractual life
$		$	Years
0.42	211,791	45,000	0.30
0.50	3,352,804	526,000	0.30
	3,564,595	571,000	0.30

c) Options

The Company adopted a stock option plan pursuant to which the Board of Directors of the Company may, from time to time, at its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants stock options of the Company. The total number of shares issuable pursuant to options granted under the plan is limited to 10% of the number of shares issued and outstanding of the Company. The exercise price of each option is the price set at the time of grant by the Board of Directors. Stock options have a maturity of ten years from the date of grant and vesting is determined at the time of issuance of stock options.

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11 - SHARE CAPITAL (Continued)

c) Options (continued)

A continuity of options and their related recorded values is set out as follows:

	Number of options	Amount	Weighted average exercise price
		$	$
Balance as at December 31, 2016	–	–	
Deemed issuance of replacement options (Note 2)	1,381,000	189,000	0.10
Issuance of new options	11,716,000	4,035,000	0.35
Balance as at December 31, 2017	13,097,000	4,224,000	0.34
Options exercisable	12,664,800		0.33

	Number of options	Amount	Weighted average exercise price
		$	$
Balance as at December 31, 2017	13,097,000	4,224,000	0.34
Exercise of options (ii)	(925,000)	(126,725)	0.10
Balance as at December 31, 2018	12,172,000	4,097,275	0.33
Options exercisable	11,807,200		0.35

(ii) In October 2018, 925,000 options were exercised for proceeds amounting to $92,500.

The following table summarizes information about options outstanding for the year ended December 31, 2017:

	Exercise price	Number of options	Amount	Weighted average remaining contractual life
	$		$	Years
	0.10	1,381,000	189,000	8.14
	0.35	11,716,000	4,035,000	9.80
		13,097,000	4,224,000	9.73
Options exercisable	12,664,800			9.68

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11 - SHARE CAPITAL (Continued)

c) Options (continued)

The following table summarizes information about options outstanding for the year ended December 31, 2018 :

	Exercise price	Number of options	Amount	Weighted average remaining contractual life
	$		$	Years
	0.10	456,000	62,275	7.14
	0.35	11,716,000	4,035,000	8.80
		12,172,000	4,097,275	8.77
Options exercisable	11,807,200			8.79

Following the closing of the Qualifying Transaction, the Company granted 11,716,000 options to its directors, officers and employees. Each option entitles its holder to purchase an equivalent number of the Company's class "A" shares at a price of $0.35 per share expiring in 120 months and is exercisable upon grant. The fair value has been estimated at $4,035,000 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.90%
Expected dividend yield	Nil
Expected volatility	150%
Expected life	120 months

The fair value of the options was determined using a share price of $0.35 per share. The underlying volatility was determined by reference to historical data of comparable entities.

As at December 31, 2018, 364,800 incentive options are held in escrow pursuant to Exchange escrow requirements (Note 11 a)) (432,200 as at December 31, 2017).

12 - ANCILLARY REVENUES

	December 31, 2018	December 31, 2017
	$	$
Revenue from expired letter of intent		160,420
Revenue from the sale of by-products	20,640	
Interest income	51,540	10,955
Settlement from a lawsuit		16,600
	72,180	187,975

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13 - NET LOSS PER SHARE

	Net loss	Weighted average number of common shares outstanding – basic and diluted	Net loss per common share – basic and diluted
	$	$	$
Basic and diluted net loss per common share			
December 31, 2018	(1,701,998)	176,167,391	(0.01)
December 31, 2017	(6,925,361)	123,354,345	(0.06)

14 - INFORMATION INCLUDED IN CONSOLIDATED LOSS AND COMPREHENSIVE LOSS

Information included in consolidated loss and comprehensive loss for the years ended December 31, 2018 and 2017 is detailed as follows:

	December 31, 2018	December 31, 2017
	$	$
General and administrative expenses		
Stock-based compensation	–	4,035,000
Foreign exchange loss (gain)	45,744	(11,916)
Research and development		
Depreciation of equipment	594,795	629,330
Amortization of intangible assets	280,753	280,753
Salaries and other short-term benefits	312,087	316,406
Investment tax credits	(60,318)	(114,222)
Rent to companies under common control	120,252	120,252

15 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items for the years ended December 31, 2018 and 2017 are detailed as follows:

	December 31, 2018	December 31, 2017
	$	$
Receivables	(60,225)	(13,534)
Investment tax credits receivable	240,996	295,092
Prepaid expenses	20,756	(2,299)
Accounts payable and accrued liabilities	(9,091)	158,302
Deferred revenues	27,425	(180,139)
	219,861	257,422

16 - FINANCIAL INSTRUMENTS

Fair value

The Company’s financial instruments consist of cash, term deposits, receivables (excluding sales taxes receivable), accounts payable and accrued liabilities, certain deferred revenues, advances from a company under common control and long-term debt. The carrying amount of these financial instruments approximates their fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated financial statements.

Financial risks

The most significant financial risks to which the Company is exposed are described below.

Foreign currency risk

Most of the Company’s transactions are carried out in Canadian dollars. Exposure to currency risk arises from the Company’s signing of a letter of intent for the sale of TDP facilities and obtaining deposits in U.S. dollars as well as incurring certain expenses in U.S. dollars. The Company does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are translated into Canadian dollars at the closing rate:

	December 31, 2018	December 31, 2017
	$	$
Financial assets	163,414	15,617
Financial liabilities	(357,145)	322,237
Total exposure	520,559	(306,620)

A change in the U.S. dollar to Canadian dollar currency exchange rate would not have a significant impact on the Company's consolidated loss for each of the years presented.

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Generally, the carrying amount reported on the Company's consolidated balance sheets for its financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

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16 - FINANCIAL INSTRUMENTS (Continued)

Financial risks (continued)

Credit risk (continued)

Financial assets that potentially subject the Company to credit risk consist primarily of cash and term deposits.

– Cash and term deposits:

  Credit risk associated with cash and term deposits is substantially mitigated by ensuring that these financial assets are primarily placed with major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities and obligations as they become due. The Company is exposed to this risk mainly through accounts payable and accrued liabilities and advances from companies under common control.

Liquidity risk management serves to maintain a sufficient amount of cash. The Company establishes budgets and cash estimates to ensure it has the necessary funds to fulfill its obligations for the foreseeable future.

As at December 31, 2017, the Company's financial liabilities mature as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	$	$	$	$
Accounts payable and accrued liabilities (a)	224,428			
Deferred revenues			813,624	
Advances from a company under common control			1,518,553	
	224,428	–	2,332,177	–

(a) Excluding salaries and benefits payable.

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16 - FINANCIAL INSTRUMENTS (Continued)

Financial risks (continued)

Liquidity risk (continued)

As at December 31, 2018, the Company's financial liabilities mature as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	$	$	$	$
Accounts payable and accrued liabilities (a)	351,215			
Deferred revenues			841,049	
Advances from a company under common control			1,518,826	
Long term debt	20,000	20,000	100,000	80,000
	371,215	20,000	2,459,875	80,000

(a) Excluding salaries and benefits payable.

17 - CAPITAL MANAGEMENT

The Company manages its capital to ensure the Company’s ability to continue as a going concern and to meet strategic objectives including the commercialization of the TDP technology, while taking into consideration financial risks.

The capital structure of the Company consists of cash, term deposits, advances from a company under common control, long-term debt and equity.

A summary of the Company’s capital structure is as follows as at:

	December 31, 2018	December 31, 2017
	$	$
Cash	307,800	1,908,187
Term deposits	2,349,447	2,002,560
Advances from a company under common control	1,518,826	1,518,553
Long term debt	200,000	200,000
Total equity	2,836,186	4,442,004
	7,212,259	10,071,304

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18 - RELATED PARTY TRANSACTIONS

Related party transactions consist of advances from companies under common control (Note 8) and lease agreements (Note 19).

Transactions with key management personnel

Key management of the Company are the members of the Board of Directors, as well as officers of the Company. Key management personnel remuneration for the year ended December 31, 2018 amounts to $69,000 ($3,484,000 in 2017 including options). Refer to Note 11 for options granted during the year ended December 31, 2017 (nil in 2018).

19 - COMMITMENTS

In March 2009, the Company entered into an operating lease agreement with a company under common control for a manufacturing facility, for a term of 84 months ending in March 2016, at a rate of $7,500 per month. In July 2017, the Company renewed the agreement for an additional two-year term ending in March 2020 with the same conditions.

During the year ended December 31, 2017, the Company renewed an operating lease agreement with a company under common control for equipment, for a term of 24 months ending in September 2019, at a rate of $2,521 per month.

Rental expenses are recognized on a straight-line basis and the rental expense was $120,252 for each of the years ended December 31, 2018 and 2017. Future minimum payments under these lease agreements as of December 31, 2018 are as follows:

	$
2019	110,168
2020	22,500
	132,668

20 - POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between December 31, 2018 and the date of authorization of these consolidated financial statements other than those disclosed below.

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20 - POST-REPORTING DATE EVENTS (Continued)

Non-Adjusting Events

On February 27, 2019, the Company announced it has secured an amount of $32.1 million in project financing (“Financing”) from Export Development Canada (“EDC”) to build the Company’s new, first of its kind turnkey TDP facility. Ecolomondo expects to achieve financial close by the end of March 2019, subject to satisfactory documentation of the loan agreement and satisfaction of customary representations, warranties, covenants and conditions that are customary to these types of loans. The loan will bear a floating interest rate using a Canadian reference base rate plus a market-based margin and it will mature on March 31, 2031. Proceeds of the financing are to be used for engineering, construction and commissioning of the Company's new TDP turnkey facility.

On March 15, 2019, the Company announced it has entered into a conditional purchase agreement with respect to the acquisition of Gestion Transport Lyon Inc. (“Transport Lyon”) by a combination of share issuance and working capital contribution in Transport Lyon. The closing of the contemplated transaction, subject among other conditions to satisfactory legal and financial due diligence, is expected to take place by April 30, 2019. Transport Lyon is a large Montreal-based transport company that offers specialized transportation and is an authorized collector of used tires for the government agency Recyc-Quebec.