Ecolomondo Corporation

Consolidated Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 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 Antonia Psyharis.

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 26, 2021

[1] CPA auditor, CA public accountancy permit no. A119564

Ecolomondo Corporation
Consolidated Balance Sheets

December 31, 2020 and 2019

(In Canadian dollars)

	December 31, 2020	December 31, 2019
	$	$
ASSETS		
Current		
Cash	3,806,817	5,331,573
Term deposit, 1.80%	150,000	150,000
Sales taxes receivable	399,298	486,536
Investment tax credits receivable		22,912
Prepaid expenses	90,018	
Total current assets	4,446,133	5,991,021
Non-current		
Plant under construction	24,452,409	4,209,391
Deposit on plant under construction		1,917,304
Equipment (Note 4)	1,990,262	2,573,392
Right of use assets (Note 5)	133,124	68,272
Total non-current assets	26,575,795	8,768,359
Total assets	31,021,928	14,759,380
LIABILITIES		
Current		
Accounts payable and accrued liabilities	2,499,492	2,027,295
Deferred revenues (Note 7)	1,000,000	1,325,125
Deposit from a future partner (Note 8)	2,419,080	2,467,720
Current portion of long term debt	582,027	20,000
Current portion of lease liabilities	49,950	49,950
Total current liabilities	6,550,549	5,890,090
Non-current		
Advance from a company under common control, without interest and without repayment terms until January 2022	1,518,853	1,518,853
Long term debt (Note 10)	21,727,498	5,017,805
Lease liabilities (Note 5)	87,820	19,702
Deferred income taxes (Note 9)	469,391	556,963
Total non-current liabilities	23,803,562	7,113,323
Total liabilities	30,354,111	13,003,413
EQUITY		
Common shares (Note 11)	17,195,204	17,195,204
Options (Note 11)	4,786,365	4,045,078
Accumulated deficit	(21,313,752)	(19,484,315)
Total equity	667,817	1,755,967
Total liabilities and equity	31,021,928	14,759,380

Going concern (Note 2)

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

On behalf of the Board,

(s) Donald Prinsky
Director

(s) Eliot Sorella
Director

Ecolomondo Corporation
Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31, 2020 and 2019

(In Canadian dollars, except for number of shares)

	December 31, 2020	December 31, 2019
	$	$
Ancillary revenues (Note 12)	97,965	76,586
Expenses		
General and administrative expenses (Note 13)	1,051,978	282,517
Operating, research and development (Note 13)	894,388	1,135,357
Financial expenses	68,608	1,244
Total expenses	2,014,974	1,419,118
Loss before income taxes	(1,917,009)	(1,342,532)
Income taxes		
Deferred	(87,572)	(224,213)
	(87,572)	(224,213)
Net loss and comprehensive loss	(1,829,437)	(1,118,319)
Net loss per share		
Basic and diluted	(0.01)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	177,310,398	177,227,708

The accompanying notes are an integral part of the consolidated financial statements and Note 13 provides other information on consolidated loss and comprehensive loss.

Ecolomondo Corporation
Consolidated Statements of Changes in Equity
Years ended December 31, 2020 and 2019
(In Canadian dollars, except for number of shares)

2020

	Number of class "A" shares outstanding	Share capital	Warrants	Options	Deficit	Total equity
		$	$	$	$	$
Balance, December 31, 2019	177,310,398	17,195,204		4,045,078	(19,484,315)	1,755,967
Stock based compensation				741,287		741,287
Transactions with owners	177,310,398	17,195,204		4,786,365	(19,484,315)	2,497,254
Net loss and comprehensive loss for the year ended December 31, 2020					(1,829,437)	(1,829,437)
Balance, December 31, 2020	177,310,398	17,195,204		4,786,365	(21,313,752)	667,817

2019

	Number of class "A" shares outstanding	Share capital	Warrants	Options	Deficit	Total equity
		$	$	$	$	$
Balance, December 31, 2018	176,929,398	17,104,907	571,000	4,097,275	(18,936,996)	2,836,186
Exercise of options (Note 11)	381,000	90,297		(52,197)		38,100
Exercise of warrants (Note 11)			(571,000)		571,000	
Transactions with owners	177,310,398	17,195,204		4,045,078	(18,365,996)	2,874,286
Net loss and comprehensive loss for the year ended December 31, 2019					(1,118,319)	(1,118,319)
Balance, December 31, 2019	177,310,398	17,195,204		4,045,078	(19,484,315)	1,755,967

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

Ecolomondo Corporation
Consolidated Statements of Cash Flows
Years ended December 31, 2020 and 2019
(In Canadian dollars)

	December 31, 2020	December 31, 2019
	$	$
OPERATING ACTIVITIES		
Net loss	(1,829,437)	(1,118,319)
Interest on lease liabilities and loan	15,155	6,389
Non-cash items		
Government assistance	(46,615)	
Unrealized foreign exchange gain	(48,640)	
Depreciation of equipment	583,130	581,438
Depreciation of right of use assets	118,442	95,075
Amortization of intangible assets		70,184
Amortization of debt transaction costs	53,375	
Stock based compensation	741,287	
Deferred income taxes	(87,572)	(224,213)
Changes in working capital items (Note 14)	(1,418,837)	(441,517)
Net cash used for operating activities	(1,919,712)	(1,030,963)
INVESTING ACTIVITIES		
Investments in term deposits	(150,000)	(150,000)
Disposal of term deposits	150,000	2,349,447
Plant under construction	(16,739,673)	(3,383,831)
Acquisition of equipment		(4,421)
Net cash used for investing activities	(16,739,673)	(1,188,805)
FINANCING ACTIVITIES		
Deposit from a future partner		2,467,720
Long term debt	17,284,960	4,857,805
Repayment of long term debt	(20,000)	(20,000)
Repayment of lease liabilities	(115,176)	(93,695)
Interest on lease liabilities and loan	(15,155)	(6,389)
Proceeds from exercise of options		38,100
Net cash provided by financing activities	17,134,629	7,243,541
Net increase (decrease) in cash	(1,524,756)	5,023,773
Cash, beginning of year	5,331,573	307,800
Cash, end of year	3,806,817	5,331,573

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 (the "Company") was incorporated on September 30, 2015 under the Canada Business Corporations Act.

On October 20, 2017, the Company completed its qualifying transaction (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, which changed its name to Ecolomondo Environmental (Contrecoeur) Inc in 2018. With the completion of the Qualifying Transaction, the Company is now a clean tech company focused on the commercialization and implementation of its 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 sale and manufacture 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.

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

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, 2020 were approved and authorized for issuance by the Board of Directors on April 26, 2021.

COVID-19 pandemic

In March 2020, the decree of a COVID-19 state of pandemic and the numerous measures put in place by the federal, provincial and municipal governments to protect the public had impacts on the Company’s operations. The completion of the construction of the plant under construction was delayed. In addition, the Company was able to benefit from certain government assistance programs. The impact on the future operations of the Company is uncertain.

2 - GOING CONCERN ASSUMPTION

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), in particular on the assumption that the Company will continue as a going concern, meaning it will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(In Canadian dollars, except for number of shares, warrants and options)

2 - GOING CONCERN ASSUMPTION (Continued)

Since inception, the Company has incurred operating losses. As at December 31, 2020, the Company has an accumulated deficit of $21,313,752 ($19,484,315 as at December 31, 2019). The Company has not yet completed the construction of its Hawkesbury plant to enable the Company to establish a stabilized source of revenue sufficient to cover operating expenses. Based on the current level of expenditures and available liquidity, management estimates that the Company will require additional financing within the next twelve months.

The Company is actively seeking to secure additional funding through: equity-based financing, debt-financing or other arrangements; however, there is no assurance that the Company will be successful in this or any of its endeavours or become financially viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the consolidated statements of financial position classification have not been adjusted as would be required if the going concern assumption were not appropriate.

3 - SIGNIFICANT ACCOUNTING POLICIES

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.

Any other new standards and interpretations that have been issued are not expected to have a material impact on the Company's consolidated financial statements.

Basis of measurement

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

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of Ecolomondo Environmental (Contrecœur) Inc, 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.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(In Canadian dollars, except for number of shares, warrants and options)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and all of the subsidiaries. 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 loss and 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 and any deposit made on 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
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.

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 approximate ten years, including patent renewals.

Ecolomondo Corporation
Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(In Canadian dollars, except for number of shares, warrants and options)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Non-amortizable assets are tested for impairment annually.

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, 2020 and 2019, the Company determined that there was no impairment of equipment and plant under construction.

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.

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 years presented, the Company only has financial instruments classified at amortized cost.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification and initial measurement of financial assets (Continued)

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.

Classification and subsequent measurement of financial liabilities

The Company’s financial liabilities include accounts payable and accrued liabilities, excluding salaries and benefits payable, certain deferred revenues, advances from a company under common control, deposit from a future partner 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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Fair Value

The Company must classify the fair value measurements of financial instruments according to a three-level hierarchy, based on the type of inputs used in making these measurements. These tiers include:

– Level 1: observable inputs such as quoted prices in active markets;

– Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and

– Level 3: unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Leases

The Company recognises a right-of-use asset and a lease liability with respect to a lease on the date the underlying asset is available for use by the Company (hereafter, the “commencement date”).

The right-of-use asset is initially measured at cost, which includes the initial lease liabilities adjusted for lease payments on or before the commencement date, plus initial direct costs incurred and an estimate of all of the costs for dismantling and removing the underlying asset, less any lease incentives received.

The right-of-use asset is amortised over the shorter of the estimated useful life of the underlying asset or the lease term on a straight-line basis. Additionally, the cost of a right-of-use asset is reduced by any accumulated impairment losses and, as appropriate, adjusted for any remeasurement of the related lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discount rate. The lease payments included in the lease liability include the following, in particular:

– Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
– Variable payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– Lease payments relating to extension options that the Company is reasonably certain it will exercise.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The interest expense relating to lease liabilities is recognised in profit or loss using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or when the Company changes its measurement with respect to the exercise of a purchase, extension or termination option.

The lease liability adjustment is adjusted against the related right-of-use asset or recorded in profit or loss if the right-of-use asset is reduced to zero.

Lease payments relating to leases with a lease term of 12 months or less and leases for which the underlying asset is of low value are recognised on a straight-line basis as an expense in profit or 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, 2020 and 2019, 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.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(In Canadian dollars, except for number of shares, warrants and options)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government assistance

Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the government program, provided that the Company has reasonable assurance that the amount will be received.

Provisions

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Share capital and options

Class "A" shares 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.

Balances from cancelled or expired options are transferred to deficit.

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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (Continued)

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.

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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic and diluted net loss per share (Continued)

For the years ended December 31, 2020 and 2019, the diluted loss per share was the same as the basic loss per share since the options and warrants had an anti-dilutive effect. 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.

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, 2020 and 2019, 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, 2020 and 2019.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and equipment

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, 2020 and 2019, the Company determined that there was no impairment of plant under construction and equipment.

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.

Leases

Recognizing leases requires judgement and use of estimates and assumptions. Judgement is used to determine whether there is reasonable certainty that a lease extension or cancellation option will be exercised. Furthermore, management estimates are used to determine the lease terms and the appropriate interest rate to establish the lease liability.

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.

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4 - EQUIPMENT

	Reactor	Office equipment	Other equipment	Total
	$	$	$	$
Cost as at December 31, 2018	8,700,968	17,094	1,832,783	10,550,845
Addition		4,421		4,421
Cost as at December 31, 2019	8,700,968	21,515	1,832,783	10,555,266
Accumulated depreciation as at December 31, 2018	5,550,559	17,094	1,832,783	7,400,436
Depreciation	580,068	1,370		581,438
Accumulated depreciation as at December 31, 2019	6,130,627	18,464	1,832,783	7,981,874
Balance as at December 31, 2019	2,570,341	3,051	–	2,573,392
Cost as at December 31, 2019 and 2020	8,700,968	21,515	1,832,783	10,555,266
Accumulated depreciation as at December 31, 2019	6,130,627	18,464	1,832,783	7,981,874
Depreciation	580,079	3,051		583,130
Accumulated depreciation as at December 31, 2020	6,710,706	21,515	1,832,783	8,565,004
Balance as at December 31, 2020	1,990,262			1,990,262

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5 - LEASES

The Company leases a manufacturing facility and some equipment from companies under common control. The leases have an initial term of two years.

The right-of-use assets and lease liabilities recognised by the Group:

Right-of-use assets

	Manufacturing Facility	Loader	Total
	$	$	$
Balance as at January 1, 2019	107,334		107,334
Addition		56,013	56,013
Depreciation	(85,867)	(9,208)	(95,075)
Balance as at December 31, 2019	21,467	46,805	68,272
Balance as at January 1, 2020	21,467	46,805	68,272
Addition	183,294		183,294
Depreciation	(90,359)	(28,083)	(118,442)
Balance as at December 31, 2020	114,402	18,722	133,124

Lease liabilities

	$
Balance as at January 1, 2019	107,334
Addition	56,013
Lease payments	(93,695)
Balance as at December 31, 2019	69,652
Current portion	49,950
Non-current portion	19,702
Balance as at January 1, 2020	69,652
Addition	183,294
Lease payments	(115,176)
Balance as at December 31, 2020	137,770
Current portion	49,950
Non-current portion	87,820

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5 - LEASES (Continued)

Contractual undiscounted payments under lease liabilities are as follows:

	December 31, 2020
	$
2020	120,252
2021	20,168
	140,420

6 - INTANGIBLE ASSETS

	Patents
	$
Cost as at December 31, 2019	2,807,525
Accumulated amortization as at December 31, 2018	2,737,341
Amortization	70,184
Accumulated amortization as at December 31, 2019	2,807,525
Balance as at December 31, 2019	–
Cost as at December 31, 2020	2,807,525
Accumulated amortization as at December 31, 2019	2,807,525
Amortization	
Accumulated amortization as at December 31, 2020	2,807,525
Balance as at December 31, 2020	

7 - DEFERRED REVENUES

As at December 31, 2020, the deferred revenues are composed of one customer deposit on the signing of a letter of intent for the purchase of a facility. The deposit is for an amount of $1,000,000 ($1,000,000 as at December 31, 2019). Of this amount, $100,000 represents 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.

A second customer deposit for $325,125 (U.S. $250,000) as at December 31, 2019 was reimbursed in 2020.

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8 - DEPOSIT FROM A FUTURE PARTNER

In 2019, the Company received an amount of U.S. $1,900,000 ($2,419,080 in 2020; $2,467,720 in 2019) from a future partner. When the plant under construction will be completed, 45% of the subsidiary that owns the plant will be sold to this partner. As at December 31, 2020, the plant is not yet complete, and as such, the transaction has not been finalized. Upon sale of the subsidiary, the deposit will be applied against the purchase price.

9 - INCOME TAXES

As at December 31, 2020, the Company has net operating loss carry-forwards of approximately $6,687,000 ($6,530,000 as of December 31, 2019) that may be available to reduce taxable income in future years in various amounts through 2040. 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, 2020	Recognized in loss and comprehensive loss	December 31, 2020
	$	$	$
Deferred tax liabilities (assets)			
Non-current assets			
Equipment	639,963	(87,572)	552,391
Unused tax losses	(83,000)		(83,000)
	556,963	(87,572)	469,391

	January 1, 2019	Recognized in loss and comprehensive loss	December 31, 2019
	$	$	$
Deferred tax liabilities (assets)			
Non-current assets			
Equipment	846,176	(206,213)	639,963
Intangible assets	18,000	(18,000)	
Unused tax losses	(83,000)		(83,000)
	781,176	(224,213)	556,963

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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, 2020	December 31, 2019
	$	$
Tax losses	6,687,000	6,530,000

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, 2020:

	$
2029	120,000
2030	322,000
2031	419,000
2032	638,000
2033	215,000
2034	1,007,000
2035	550,000
2036	1,231,000
2037	207,000
2038	436,000
2039	854,000
2040	688,000
	6,687,000

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, 2020	December 31, 2019
	%	%
Combined federal and provincial income tax rate	26.50	26.60
Deferred tax assets not recognized	(22.49)	(8.41)
Other	0.56	(1.49)
	4.57	16.70

The Company has investment tax credits related to research and development amounting to $163,000 ($109,430 in 2019) 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, 2020	December 31, 2019
	$	$
Balance of purchase price, payable in 10 equal annual instalments of $20,000, bearing interest at 3%	160,000	180,000
Government loans, without interest, due December 2022 (net of $46,615 recognized in revenues as government assistance)	76,493	
Term loan for the construction of a new thermal decomposition facility for an authorized amount of $32,125,000, secured by a movable hypothec on all present and future assets of Ecolomondo Environmental (Hawkesbury) Inc. and of Ecolomondo Environmental (Contrecœur) Inc., bearing interest at the CDOR rate plus 6.5% (6.98%; 8.47% in 2019), payable in quarterly instalments starting in August 2021, maturing in November 2031 (a)	22,662,157	5,500,305
Transaction costs (b)	(589,125)	(642,500)
	22,309,525	5,037,805
Current portion	582,027	20,000
	21,727,498	5,017,805

(a) Under the terms of the loan, the Company is required to respect certain covenants when the plant is completed. One of the covenants is to deposit an amount of $375,000 in a cost overrun account, to cover potential cost overruns in the construction of the Hawkesbury TDP turnkey facility. This amount was deposited in a cost overrun account in November 2019 and is included in cash at year-end.

(b) The financing fees for the term loan totalled $642,500 and are amortized on a straight-line basis over the term of the debt.

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;

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11 - SHARE CAPITAL (Continued)

a) Share capital (Continued)

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

	2020	2019
	$	$
177,310,398 class "A" shares (177,310,398 in 2019)	17,195,204	17,195,204

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% were released on the dates which were 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

As part of the Qualifying Transaction, in 2017, 155,328,790 class "A" shares were issued, of which 6,264,330 class "A" shares were 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 were 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 were 12 and 18 months following the Initial Release, an additional 15%, on the dates which were 24 and 30 months following the Initial Release and the final 40% were released on the date which was 36 months following the Initial Release. As at December 31, 2020, there are no longer any shares restricted by an escrow agreement and all shares are freely trading (80,161,160 in escrow as at December 31, 2019).

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11 - SHARE CAPITAL (Continued)

b) Warrants

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

	Number of warrants	Amount	Weighted average exercise price
		$	$
Balance as at December 31, 2018	3,564,595	571,000	0.49
Expiry of warrants (i)	(3,564,595)	(571,000)	0.49
Balance as at December 31, 2019			

(i) The warrants have all expired in April 2019 and the value attributed to them was transferred to the deficit.

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.

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, 2018	12,172,000	4,097,275	0.33
Exercise of options (i)	(381,000)	(52,197)	0.10
Balance as at December 31, 2019	11,791,000	4,045,078	0.35
Options exercisable	11,540,200		0.35

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11 - SHARE CAPITAL (Continued)

c) Options (Continued)

	Number of options	Amount	Weighted average exercise price
		$	$
Balance as at December 31, 2019	11,791,000	4,045,078	0.35
Issue of options	3,250,000	741,287	0.32
Balance as at December 31, 2020	15,041,000	4,786,365	0.34
Options exercisable	15,041,000		0.34

(i) In March 2019, 381,000 options were exercised for proceeds amounting $38,100. At the time of the exercise of options, the fair value of each share was 0.33$.

The following table summarizes information about options outstanding for the year ended December 31, 2019:

	Exercise price	Number of options	Amount	Weighted average remaining contractual life
	$		$	Years
	0.10	75,000	10,078	6.14
	0.35	11,716,000	4,035,000	7.81
		11,791,000	4,045,078	7.81
Options exercisable	11,540,200			7.84

The following table summarizes information about options outstanding for the year ended December 31, 2020:

	Exercise price	Number of options	Amount	Weighted average remaining contractual life
	$		$	Years
	0.10	75,000	10,078	5.14
	0.35	12,716,000	4,333,138	7.05
	0.30	2,250,000	443,149	9.16
		15,041,000	4,786,365	7.36
Options exercisable	14,041,000			7.36

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11 - SHARE CAPITAL (Continued)

c) Options (Continued)

During the year ended December 31, 2020, the Company granted 2,250,000 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 $0.30 per share expiring in 120 months and is exercisable upon grant. The fair value has been estimated at $443,149 ($.197 per stock option) using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.39%
Expected dividend yield	Nil
Expected volatility	74%
Expected life	120 months
Share price	$0.26

In addition, an additional 1,000,000 options were granted to a former director. 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 $298,138 ($.298 per stock option) using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.60%
Expected dividend yield	Nil
Expected volatility	60%
Expected life	120 months
Share price	$0.37

The volatility has been estimated based on the historical share prices of the Company over the period available.

As at December 31, 2020, no incentive options are held in escrow pursuant to Exchange escrow requirements (Note 11 a)) (250,800 as at December 31, 2019).

12 - ANCILLARY REVENUES

	December 31, 2020	December 31, 2019
	$	$
Revenue from the sale of by-products		558
Government assistance	46,615	
Interest income	51,350	76,028
	97,965	76,586

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13 - INFORMATION INCLUDED IN CONSOLIDATED LOSS AND COMPREHENSIVE LOSS

Information included in consolidated loss and comprehensive loss for the years ended December 31, 2020 and 2019 is detailed as follows:

	December 31, 2020	December 31, 2019
	$	$
General and administrative expenses		
Foreign exchange gain	(46,670)	(110,542)
Operating, research and development		
Depreciation of equipment	583,130	581,438
Depreciation of right of use asset	118,442	95,075
Amortization of intangible assets		70,184
Salaries and other short-term benefits	151,372	242,315
Investment tax credits		(22,912)
Interest on leases liabilities	11,826	6,389
Rent to companies under common control		20,168

14 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items for the years ended December 31, 2020 and 2019 are detailed as follows:

	December 31, 2020	December 31, 2019
	$	$
Receivables	87,238	(382,907)
Investment tax credits receivable	22,912	33,904
Prepaid expenses	(90,018)	4,388
Accounts payable and accrued liabilities (a)	(1,113,844)	(80,978)
Deferred revenues	(325,125)	(15,924)
	(1,418,837)	(441,517)

(a) During the year, the Company capitalized plant under construction, $1,586,040 ($1,712,811 as at December 31, 2019) of which is included in accounts payable and accrued liabilities.

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15 - FINANCIAL INSTRUMENTS

Fair value

The Company’s financial instruments include cash, term deposit, accounts payable and accrued liabilities, deposit from a future partner and long-term debt whose carrying amounts 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.

The fair value of the advance from a company under common control is approximately $1,413,000 ($1,290,000 as at December 31, 2019). This advance as well as the long-term debt has been categorized within level 2 of the fair value hierarchy. The fair value has been determined by discounting contractual cash flows using a discount rate derived from observable market interest rates of similar financial instruments with similar risks.

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, 2020	December 31, 2019
	$	$
Financial assets	345,341	831,403
Financial liabilities	(2,531,913)	(2,811,418)
Total exposure	2,877,254	3,642,821

Assuming that all other variables remain constant, a 3% (6% in 2019) increase or decrease in the exchange rate of the Canadian dollar, compared to the U.S. dollar, would have a significant impact of $76,533 on the Company's net loss and equity for the year ended December 31, 2020 ($168,685 impact for the year ended December 31, 2019).

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15 - FINANCIAL INSTRUMENTS (Continued)

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 expected losses, represents the maximum amount exposed to credit risk.

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

Credit risk associated with cash 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, the advance from a company under common control and long-term debt.

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, 2019, 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)	2,027,295			
Advances from a company under common control			1,518,853	
Long term debt		20,000	5,496,326	163,979
	2,027,295	20,000	7,015,179	163,979

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15 - FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2020, 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)	2,499,492			
Advances from a company under common control			1,518,853	
Long term debt		582,027	5,850,223	16,479,907
	2,499,492	582,027	7,369,076	16,479,907

16 - 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, 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, 2020	December 31, 2019
	$	$
Cash	(3,806,817)	(5,331,573)
Advance from a company under common control	1,518,853	1,518,853
Long term debt	22,309,525	5,037,805
Total equity	667,817	1,755,967
	20,689,378	2,981,052

17 - RELATED PARTY TRANSACTIONS

Related party transactions consist of the advance from a company under common control and lease agreements (Note 5).

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, 2020 amounts to $912,089 ($104,000 in 2019), including stock options.

18 - GUARANTEE

A letter of credit has been established by the Company in the amount of $150,000 for the benefit of the town of Hawkesbury pursuant the work and services to be performed by the Company.

19 - CLAIMS

In the normal course of operations, the Company is contingently liable with respect to litigations and claims that arise from time to time. In the opinion of management, any liability, which may arise from such contingencies, would not have a material adverse effect on the Company's consolidated financial statements. The evaluation of litigations and claims is subject to uncertainties and the ultimate future resolution of the litigations and claims which cannot be predicted.