

**EARTHWORKS INDUSTRIES INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2022 and 2021**  
(Expressed in Canadian Dollars)

## Independent Auditor's Report

To the Shareholders of Earthworks Industries Inc.

### Opinion

We have audited the consolidated financial statements of Earthworks Industries Inc. (the "Group"), which comprise the consolidated statements of financial position as at November 30, 2022 and November 30, 2021 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the 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 consolidated financial position of the Group as at November 30, 2022 and November 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for 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 Group 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 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises:

- 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 the other information 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, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Pejman Mahlooji.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
March 30, 2023**

# EARTHWORKS INDUSTRIES INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at November 30, 2022 and 2021

	November 30 2022	November 30 2021
<b>ASSETS</b>		
Current Assets		
Cash	\$ 209,206	\$ 288,086
Accounts receivable	6,260	7,426
Prepaid expenses	39,632	128,926
	255,098	424,438
Long Term Assets		
Equipment	-	877
Cortina Landfill Project (note 5)	11,849,946	10,802,425
	\$ 12,105,044	\$ 11,227,740
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 456,982	\$ 449,279
Notes payable (note 6)	754,690	853,415
Advances from Cortina Landfill Company (note 5)	675,400	351,780
Accrued interest on debt (note 8)	418,355	383,948
Convertible debenture (note 7)	144,432	-
Convertible debenture - derivative (note 7)	73,680	-
	2,523,539	2,038,422
Long Term Liabilities		
Advances from Cortina Landfill Company (note 5)	7,198,402	7,080,434
	9,721,941	9,118,856
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 9)	23,333,473	22,100,444
Reserves (note 9)	4,107,441	3,287,307
Accumulated other comprehensive income	849,688	660,451
Deficit	( 25,907,499)	( 23,939,318)
	2,383,103	2,108,884
	\$ 12,105,044	\$ 11,227,740

Nature of Business, Continued Operations and Going Concern (note 1)

Subsequent Event (note 15)

Approved on Behalf of the Board on March 30, 2023:

\_\_\_\_\_  
David Atkinson  
Director

\_\_\_\_\_  
Calvin Woroniak  
Director

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

# EARTHWORKS INDUSTRIES INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the Years ended November 30, 2022 and 2021

	Year ended November 30, 2022	Year ended November 30, 2021
<b>Administration Costs</b>		
Amortization	\$ 877	\$ 677
Bank charges and interest (note 6)	30,557	18,551
Consulting fees	47,781	34,342
Convertible loan interest and accretion (notes 7 and 8)	183,249	31,717
Directors' fees (note 10)	36,000	36,000
Interest on advances from Cortina Landfill Company (note 5)	379,580	388,300
Management salaries (note 10)	131,771	131,771
Office and administrative costs	31,081	32,437
Professional fees (note 10)	114,733	100,384
Promotion	1,771	2,299
Rent and parking	22,427	22,285
Salaries and benefits	44,443	47,535
Share based compensation (notes 9 and 10)	917,943	173,100
Stock exchange and filing fees	13,812	12,378
Telephone and internet	6,050	5,726
Transfer agent	9,198	7,762
Travel	3,901	611
Gain on extinguishment of debt	(58,337)	-
Gain on fair value of derivative (note 7)	(75,656)	-
	1,841,181	1,045,875
<b>Loss for the year</b>		
<b>Other Comprehensive Loss</b>		
Exchange difference on translation of foreign operations	( 189,237)	48,558
	1,651,944	1,094,433
<b>Comprehensive loss for the year</b>	<b>\$ 1,651,944</b>	<b>\$ 1,094,433</b>
	0.02	0.01
<b>Basic and diluted loss per share</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>
	90,650,996	80,935,113
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>90,650,996</b>	<b>80,935,113</b>

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

# EARTHWORKS INDUSTRIES INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

For the Years Ended November 30, 2022 and 2021

	Year ended November 30, 2022	Year ended November 30, 2021
<b>Operating Activities</b>		
Loss for the year	\$ (1,841,181)	\$ (1,045,875)
Adjust for non-cash items:		
Amortization	877	677
Gain on extinguishment of debt (note 7)	(58,337)	-
Gain on fair value of derivative (note 7)	(75,656)	-
Interest on advances from Cortina Landfill Company (note 5)	379,580	388,300
Interest	30,199	21,749
Convertible loan interest and accretion (notes 7 and 8)	183,249	31,717
Share based compensation	917,943	173,100
	<u>( 463,326)</u>	<u>( 430,332)</u>
Change in non-cash working capital accounts (note 14)	<u>86,634</u>	<u>( 122,988)</u>
	<u>( 376,692)</u>	<u>( 553,320)</u>
<b>Financing Activities</b>		
Share capital issued for cash	705,000	880,000
Share issue costs	( 14,280)	( 36,400)
Principal repayment - CLC	( 33,688)	( 28,741)
Demand loans received	65,302	127,920
Demand loans repaid	-	( 47,730)
	<u>722,334</u>	<u>895,049</u>
<b>Investing Activities</b>		
Landfill project deferred costs	<u>( 424,522)</u>	<u>( 122,541)</u>
	( 424,522)	( 122,541)
Increase (decrease) in cash	( 78,880)	219,188
Cash, beginning of year	<u>288,086</u>	<u>68,898</u>
Cash, end of year	<u>\$ 209,206</u>	<u>\$ 288,086</u>
Interest paid (received)	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid (received)	<u>\$ -</u>	<u>\$ -</u>

Supplemental Cash Flow Information (note 14)

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

# EARTHWORKS INDUSTRIES INC.

## CONSOLIDATED STATEMENTS OF CORTINA LANDFILL PROJECT COSTS

(Expressed in Canadian Dollars)

For the Years Ended November 30, 2022 and 2021

	Year Ended	
	November 30, 2022	November 30, 2021
<b>Cortina Landfill Project</b>		
Project engineering	\$ 409,591	\$ 100,905
Legal	14,931	21,637
<b>Costs incurred during the year</b>	<u>424,522</u>	<u>122,542</u>
<b>Exchange Adjustment</b>	622,999	(141,899)
<b>Project Costs, beginning of the year</b>	<u>10,802,425</u>	<u>10,821,782</u>
<b>Project Costs, end of the year</b>	<u>\$ 11,849,946</u>	<u>\$ 10,802,425</u>

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



**EARTHWORKS INDUSTRIES INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the Years Ended November 30, 2022 and 2021

	Number of Shares	Amount	Share subscription advance	Contributed Surplus	Equity Portion of Convertible Loans	Accumulated Other Comprehensive Income - cumulative translation adjustment	Deficit	Total
Balance, November 30, 2020	81,103,332	\$ 20,774,140	\$ 112,500	\$ 2,849,812	\$ 289,599	\$ 709,009	\$ (22,893,443)	\$ 1,841,617
Other comprehensive income	-	-	-	-	-	(48,558)	-	(48,558)
Shares issued for cash	3,862,500	772,500	(112,500)	-	-	-	-	660,000
Shares issued for options	850,000	126,204	-	(41,204)	-	-	-	85,000
Share issue costs	-	(52,400)	-	16,000	-	-	-	(36,400)
Shares issued for debt	1,575,000	315,000	-	-	-	-	-	315,000
Warrants exercised	1,100,000	165,000	-	-	-	-	-	165,000
Stock based compensation	-	-	-	173,100	-	-	-	173,100
Net loss for the year	-	-	-	-	-	-	(1,045,875)	(1,045,875)
Balance, November 30, 2021	88,490,832	22,100,444	-	2,997,708	289,599	660,451	(23,939,318)	2,108,884
Other comprehensive income	-	-	-	-	-	189,237	-	189,237
Share issued for cash	2,500,000	500,000	-	-	-	-	-	500,000
Share issue costs	-	(14,280)	-	-	-	-	-	(14,280)
Shares issued for options	2,050,000	302,809	-	(97,809)	-	-	-	205,000
Shares issued for debt	1,270,000	444,500	-	-	-	-	(127,000)	317,500
Stock based compensation	-	-	-	917,943	-	-	-	917,943
Net loss for the year	-	-	-	-	-	-	(1,841,181)	(1,841,181)
Balance, November 30, 2022	94,310,832	\$ 23,333,473	\$ -	\$ 3,817,842	\$ 289,599	\$ 849,688	\$ (25,907,499)	\$ 2,383,103

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

## 1 Nature of Business, Continued Operations and Going Concern

Earthworks Industries Inc. (the "Company") is incorporated under the laws of British Columbia, Canada and management has determined that the Company is in the development stage based on the fact it has no operations, no significant revenues and has not completed the landfill project. Its office is located at Suite 615, 800 West Pender Street, Vancouver, BC V6C 2V6.

The Company has completed an environmental impact study of a landfill project through its wholly-owned subsidiary, Cortina Integrated Waste Management Inc. ("CIWM") and received a Record of Decision to approve its lease to construct and operate the site from the United States Department of the Interior - Bureau of Indian Affairs ("BIA") in 2000. Final approval of the lease was issued in January 2007. Notice of termination of this lease was given by the BIA on August 19, 2013. The Company filed and, on October 29, 2015, succeeded in its Appeal to the Interior Board of Indian Affairs (IBIA). Another notice of termination of this lease was issued again by the BIA on March 1, 2019. The Company has filed an appeal to the BIA.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The establishment of operations by the Company and the recoverability of the amount shown for the landfill project is dependent upon the ability of the Company to obtain necessary financing, and maintaining the lease to construct and operate its site in good standing to complete the development of the landfill operation and commence future profitable operations. Management will pursue future equity financings and continued loans from related and other parties. In March 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could result in delays in the course of business and could have a negative impact on the Company's ability to raise new capital. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements.

On February 4, 2022 the Company amended the previous North Bay agreement to settle the US\$500,000 installment payment due to be paid by the Company on March 31, 2022 as follows:

- a) two payments of \$12,500 with the first being payable upon execution of the amended agreement and the second payable by August 31, 2022 (both payments were made);
- b) US\$250,000 will be satisfied by the issuance of 1.27 million units which consist of one fully paid voting share and one half share purchase warrant. One full warrant is exercisable at \$0.35 until February 28, 2024 to purchase one fully paid voting common share of Earthworks (the units were issued in April 2022);
- c) the remaining US\$225,000 will remain part of the balance amount as defined in the agreement; and
- d) the payout option amount is increased to US\$2,500,000 and expires on March 31, 2023.

On March 13, 2023 North Bay and the Company have agreed to amend the Settlement Agreement and pursuant to that amendment the Company will exercise its option to buy out the existing US\$5,900,000 loan from North Bay for US\$2,500,000. The Company will also repay US\$150,000 borrowed from North Bay under a separate loan agreement dated September 27, 2022 as part of the final payment. The total US\$2,650,000 payment will be made on or before September 30, 2023. The Company has also agreed to pay North Bay a 10% loan fee of US\$265,000 which will be paid from 50% of the proceeds of the Company's next fundraising campaign. North Bay in turn will waive the US\$500,000 installment payment due March 31, 2023, pursuant to the Settlement Agreement. Any failure by the Company to make payments under the option exercise will be deemed a breach of the Settlement Agreement, pursuant to which share certificates representing ownership of CIWM were transferred into an escrow account as security for the loan, and those share certificates will be irrevocably transferred to North Bay.

## 2 Significant Accounting Policies

### a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"). These consolidated financial statements have been prepared on the basis of IFRS that are effective for the Company's reporting year ended November 30, 2022.

These consolidated financial statements have been prepared on a historical basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### b) Consolidation of Financial Statements

These consolidated financial statements include the accounts of the Company and CIWM, a subsidiary incorporated in the State of California on July 19, 1994. A wholly-owned subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. References to "the Company" include Cortina Integrated Waste Management, Inc. Intercompany balances and transactions have been eliminated upon consolidation.

### c) Financial Instruments

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL).

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company measures its cash and accounts receivable at amortized cost.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 2 Significant Accounting Policies (continued) Financial Instruments (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

The Company does not have any financial assets measured at FVOCI or FVTPL.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held-for-trading or derivatives) or if the Company has opted to measure them at FVTPL.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, notes payable, advances from Cortina Landfill Company and accrued interest on convertible debt are subsequently measured at amortized cost, using the effective interest method. The Company's derivative liability is carried at FVTPL.

International Financial Reporting Standard 7, Financial Instruments Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include: cash, accounts receivable, accounts payable and accrued liabilities, notes payable, derivative liabilities, interest on convertible loans, and advances from Cortina Landfill Company. The carrying value of the financial instruments approximates their fair values.

### Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

### Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares of the Company at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. When the conversion option is exercised, the consideration received is recorded as share capital and the equity component of the compound financial instrument is transferred to share capital.

When the Company extinguishes convertible debentures before maturity through early redemption or repurchase where the conversion option is unchanged, the Company allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of settlement. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with the method used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued. The amount of gain or loss relating to the early redemption or repurchase of the liability component is recognized in profit or loss. The amount of consideration relating to the equity component is recognized in equity.

In some instances, financial instruments may be determined to be hybrid instruments which can contain a liability and a derivative liability. In these scenarios, the derivative liability is measured first at inception at fair value with any residual amount assigned to the liability component. If the hybrid instrument also contains an equity component, the liability and derivative liability are both measured at inception at fair value with any residual assigned to the equity component. Transaction costs are allocated proportionately among the liability, derivative liability and equity components.

### Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the final asset and substantially all the risks and rewards of ownership to another entity.

### Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

#### d) Cortina Landfill Project Costs

The Company is proceeding with final federal approvals with respect to the development of the Cortina Landfill Project and accordingly follows the practice of capitalizing all costs related to the project until such time as the project is put into commercial use, sold or abandoned. If commercial use commences, the capitalized costs will be amortized on a units of production basis. If the project is abandoned, the related capitalized costs will be written-off to profit or loss.

The amounts shown for the Cortina Landfill Project represent costs to date and are not intended to reflect present or future values. The actual amounts to be recovered from the project are uncertain and not determinable until the project is completed. Changes in future conditions could require a material change in the recognized amount.

## 2 Significant Accounting Policies (continued)

### e) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is provided using the declining balance method at the following annual rates:

Computer equipment	30%
Office equipment	20%

In the year of acquisition, amortization is recorded at one-half the normal rate.

### f) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Company has the right to control an identified asset if it obtains substantially all of its economic benefits and either predetermines or directs how and for what purpose the asset is used.

At lease commencement, the Company recognizes a right-of-use asset and a lease obligation. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### g) Loss Per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

Existing stock options, share purchase warrants and convertible loans have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share are the same.

### h) Foreign Currency Translation

The reporting currency of the Company is the Canadian dollar.

The functional currency of each of the parent company and its subsidiary is measured using the functional currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the parent company's functional and presentation currency. The functional currency of the subsidiary is the United States dollar.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items valued at their fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in profit or loss, in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income.

Where a non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

## 2 Significant Accounting Policies (continued)

### Foreign Currency Translation (continued)

Parent and Subsidiary Companies (Group):

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date
- income and expenses are translated at monthly average exchange rates

Exchange differences arising on translation of foreign operations are transferred directly to exchange difference on translation of foreign operations in other comprehensive loss. These differences are recognized in profit or loss in the period in which the operation is disposed of.

### i) Share-Based Compensation

The Company has a stock option plan that allows certain officers, directors, consultants, and related company employees to acquire shares of the Company. The fair value of the options is recognized as an expense with a corresponding increase in equity.

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche awarded with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Share-based payments to non employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date or the date the goods or services are received.

Share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share based payments originally recorded as contributed surplus are transferred to share capital.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### j) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating losses or tax credits. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

### k) Share Issue Costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

### l) Valuation of Equity Units Issued In Private Placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

### m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets requiring a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of that asset.

## 2 Significant Accounting Policies (continued)

### n) Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical Accounting Estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

- the assessment of the Cortina Landfill Project assets included in the statements of financial position for indicators of impairment;
- the inputs used in accounting for share-based compensation; and
- the inputs used in measuring the liability portion of the convertible debt.

#### Critical Judgments:

Critical judgments include the analysis of the functional currency for each entity of the Company and the going concern assessment (see Note 1). In concluding that the Canadian dollar and the US dollar are the functional currencies of the parent and its subsidiary respectively, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates.

### o) Long-lived assets

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

### p) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation or environmental costs arises when environmental disturbance is caused. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the landfill operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate net present value. These costs are charged against profit or loss over the economic life of the related asset through amortization using either the unit of production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds, creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capital cost of the related assets, in which case the capitalized cost is reduced to \$nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as the disturbance to date is insignificant.

### q) Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC that are mandatory for accounting years beginning on or after January 1, 2022. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these consolidated financial statements.

A number of new standards, and amendments to standards and interpretations, are not effective for the year ended November 30, 2022, and have not been early adopted in preparing these consolidated financial statements.

(i) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) - The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments are effective for reporting periods beginning on or after January 1, 2022. The implementation of this amendment did not have a material impact on the Company.

(ii) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) - The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023. The implementation of this amendment is not expected to have a material impact on the Company.

### 3 Financial Instruments and Financial Risk Management

#### a) Financial Instruments

The Company's financial instruments carried at FVTPL consists of derivative liabilities. The Company has no financial instruments carried at FVTOCI. The fair value of the Company's derivative liabilities includes inputs which are not observable and is considered a level 3 financial instrument in the fair value hierarchy.

There were no transfers between the levels of the fair value hierarchy during the year.

#### b) Financial Risk Management

##### (i) Overview:

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

##### (ii) Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. At November 30, 2022, substantially all of the Company's cash was held at a recognized Canadian National financial institution. As a result, the Company was exposed to all of the risks associated with that institution. The Company has no accounts receivable at the current year end and as the Goods and Services tax recoverable is recoverable from the federal Government of Canada, the Company does not currently face significant credit risk.

##### (iii) Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company regularly reviews its current obligations, and to the extent that the Company may not have sufficient liquidity to meet these obligations, management considers securing additional funds through equity or debt transactions. All of the Company's contractual cash flow requirements are due by November 30, 2023 with the exception of advanced from Cortina Landfill Company, see note 5 for a repayment schedule. The Company's cash flow requirements on its convertible debenture and convertible debenture - derivative is US\$150,000.

##### (iv) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments.

The Company is developing its Landfill Project in California, and as a result is subject to currency risk. Project costs are denominated in U.S. dollars and the loan advanced by Cortina Landfill Company ("CLC") to finance much of the ongoing cost is also in U.S. dollars. To this point in time the Company does not hedge the risk related to the fluctuations in the exchange rate between the U.S. and Canadian dollar as it relates to the Company's obligations. Management may decide to consider hedging the risk in the future.

	November 30, 2022	November 30, 2021
Accounts payable and accrued liabilities - U.S dollars	\$ (14,954)	\$ (14,954)
Advances from Cortina Landfill Company and accrued interest - U.S. dollars	\$ (5,828,992)	\$ (5,810,049)
Convertible debenture and derivative - US dollars	\$ (161,470)	\$ -

U.S. Dollars are translated at Cdn \$1.3508 at November 30, 2022 (2021 - Cdn \$1.2792).

At November 30, 2022, if the U.S. dollar had strengthened 10 percent against the Canadian dollar with all other variables held constant, the comprehensive loss for the year would have been \$809,000 higher (2021 - \$581,000). Conversely, if the U.S. dollar had weakened 10 percent against the Canadian dollar with all other variables held constant, the comprehensive loss would have been \$809,000 lower (2021- \$581,000).

The Company is subject to interest rate risk on its notes payable as the interest is tied to Royal Bank of Canada's prime rate ("Prime"). However, lending rates are currently low and management considers the loans to be short term and the interest rate risk is not considered material.

##### (v) Fair Value of Financial Instruments:

The carrying values of cash, accounts payable and accrued liabilities, advances from Cortina Landfill Company, notes payable and the liability component and accrued interest on convertible loans approximate their fair values due to the relatively short periods to maturity and terms of these financial instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

### 4 Capital Structure and Management

The Company manages its capital to maintain its ability to continue as a going concern, to meet its financial obligations and to provide benefits to its shareholders and other stakeholders. The capital structure of the Company consists of shareholders' equity comprised of issued capital, share subscription advance, equity portion of convertible loans, contributed surplus, accumulated other comprehensive income and deficit.

The Company manages its capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company, with the approval of the Board of Directors, will continue to balance its overall capital structure through new share or debt issuances or by other activities as deemed appropriate.

There were no changes to the Company's approach to capital management during the years ended November 30, 2022 and 2021. The Company is not subject to externally imposed capital requirements.

## 5 Cortina Landfill Project

The Company has negotiated a Business Lease and completed an Environmental Impact Statement for an integrated waste management project located on the Cortina Indian Rancheria in Colusa County, California. The BIA issued final approval of the Lease in January 2007, and the Wintun Environmental Protection Agency, Board of Commissioners, issued the Authority to Construct in October 2008.

The Company leased a portion of the land located within the Cortina Indian Rancheria in Colusa County, California, for the purpose of developing and operating a sanitary landfill and materials recovery facility for an initial term of twenty-five years (with a renewal term of an additional twenty-five years), which commenced on the date the lease was approved for consideration of:

- (i) \$10,000 U.S. payable within 21 days of the lease being approved by the BIA;
- (ii) \$15,000 U.S. per month commencing the first month following the month in which commercial production commences, with monthly payments being indexed on an annual basis according to increases in the Cost of Living Index as published by the United States Government; and
- (iii) Fees equal to 3% of gross revenue on the first 150,000 tonnes of waste received in a fiscal year, to be calculated and paid monthly, and 5% of gross revenue for waste in excess of 150,000 tonnes received in a fiscal year.

The Company also agreed to pay all of the Cortina Tribe's reasonable attorney fees and costs incurred by Tribal officials and attorneys in carrying out their obligations under this Agreement.

In April 2007, an agreement was signed to sell 50% of the issued shares of Cortina Integrated Waste Management (CIWM), the Company's wholly-owned subsidiary and the owner and developer of the project, to the Cortina Landfill Company (CLC), a 100% owned subsidiary of North Bay Corporation ("North Bay") of Santa Rosa, California. On December 23, 2009, North Bay and CLC notified Earthworks that they would not be exercising their option to acquire 50% of the issued shares of CIWM nor continue funding the development of its waste management facility in Colusa County, California. Subsequently, a number of agreement amendments and extensions were agreed to (in U.S. dollars).

On October 26, 2008, the Wintun Environmental Protection Agency issued the Authority to Construct for the Class III Municipal Solid Waste Landfill portion of the project.

On August 19, 2013, the Company received a Notice of Termination of its lease on the Cortina Rancheria. On September 16, 2013, an appeal was filed with the Interior Board of Indian Appeals (IBIA) challenging the validity and sufficiency of the reasons for the termination by the Bureau of Indian Affairs. The Company filed its required opening brief of the appeal on February 3, 2014. On October 29, 2015, the IBIA, U.S. Department of the Interior, issued its Order reversing the decision of the Regional Director thereby reinstating the Lease.

The Company received a second notice dated March 1, 2019 from the US Bureau of Indian Affairs advising that the Lease held by the Company with the Kletsel Dehe Band of Wintun Indians has been terminated. The Company believes that the allegations are unfounded and will not be upheld. The Company has filed an appeal.

### Cancellation and Replacement of the Agreement

In February 2022 the Company entered into an amended agreement for the loan payable to North Bay/CLC. The amendment was subject to it being accepted for filing by the TSX Venture Exchange. Acceptance was received on April 20, 2022. The February 2021 amended Agreement and subsequent amendments, have been cancelled and replaced as follows:

The amended agreement provides for the principal amount of US\$4,369,916 with installments payable annually commencing March 31, 2022. The payout option (see below) of the amended agreement has increased to US\$2,500,000 and the deadline for the payout option is March 31, 2023. In addition the Company will issue US\$250,000 of units (issued) and will make two payments of US\$12,500 each due on March 31, 2022 (paid) and August 31, 2022 (paid). The interest rate is unchanged and accrues at 7% simple interest and other key terms remain unchanged. In the event that the Company signs and closes an arms length agreement to sell 100% of the shares of the Company exceeding the balance amount the following will occur:

- i) The Company will pay to CLC the whole amount of the balance amount and accrued interest owing.
- ii) The Company will pay to CLC 10% of the amount received less the amount paid in part (i) and less the Company's direct investment and costs into the project being US\$6,720,633.

<u>Advances from CLC</u>	<u>November 30, 2022</u>	<u>November 30, 2021</u>
Beginning of year	\$ 7,432,214	\$ 7,498,608
Repayments	(1) (351,188)	(1) (351,780)
Accrued interest	379,580	388,300
Foreign exchange adjustment	413,196	(102,914)
Balance, end of year	<u>7,873,802</u>	<u>7,432,214</u>
Less: Current portion	<u>675,400</u>	<u>351,780</u>
Non-current portion	<u>\$ 7,198,402</u>	<u>\$ 7,080,434</u>

(1) During the year ended November 30, 2022, the Company made cash repayments of US\$25,000 (\$33,688) and issued 1,270,000 units to settle US\$250,000 (\$317,500) in debt (see note 9). During the year ended November 30, 2021, the Company made cash repayments of US\$25,000 (\$28,741), issued 62,500 shares upon the exercise of 62,500 warrants to settle US\$7,365 (\$8,039) in debt (see note 9) and issued 1,575,000 units to settle US\$250,000 (\$315,000) in debt (see note 9).

The following are the remaining principal repayments required under the terms of the amended loan. Refer to note 15 for a subsequent amendment to the loan agreement.

<u>Principal (USD)</u>	<u>Due Date</u>
\$ 500,000	March 31, 2023
500,000	March 31, 2024
500,000	March 31, 2025
500,000	March 31, 2026
500,000	March 31, 2027
500,000	March 31, 2028
<u>1,094,916</u>	March 31, 2029
<u>\$ 4,094,916</u>	

### Payout Option

Earthworks has been granted an option ("Payout Option") to wholly settle the balance amount and all accrued interest by paying North Bay/CLC, on or before March 31, 2023 in the amount of US\$2,500,000. On March 13, 2023 the Company exercised this option. See Note 15 - Subsequent Event for details of the exercise and plan for payment of this option by September 30, 2023.



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**6 Notes Payable**

	November 30, 2022	November 30, 2021
Notes payable, unsecured bearing interest at Prime + 2% per annum and matures 90 days from the agreement date (February 27, 2013 - November 1, 2013). Additionally, a 10% financing fee is satisfied on Maturity Date or closing on any private placement prior to Maturity Date. The lender may, if the Company announces a private placement of its common shares prior to Maturity Date, elect to have all or a portion of the principal and fee applied to the purchase of shares in the private placement at the same net (after commissions being paid) price being charged by the Company to other investors.	\$ 155,623	\$ 150,032
Notes payable, unsecured bearing interest at Prime + 3% per annum and matures 90 days from the agreement date (March 4, 2013 - November 13, 2014). Additionally, a 10% financing fee is satisfied on Maturity Date or closing on any private placement prior to Maturity Date. The lender may, if the Company announces a private placement of its common shares prior to Maturity Date, elect to have all or a portion of the principal and fee applied to the purchase of shares in the private placement at the same net (after commissions being paid) price being charged by the Company to other investors.	599,067	574,457
Note payable, unsecured, at cost. Interest accrues at 7%. The loan and accrued interest is due March 1, 2023. The note was modified during the year, see note 7.	-	128,926
	\$ 754,690	\$ 853,415

**7 Convertible Debenture**

On October 20, 2021, the Company entered into a US\$100,000 (\$128,926) convertible debenture maturing on March 31, 2022. On May 24, 2022, the Company entered into an additional US\$50,000 (\$64,740) convertible debenture maturing on October 31, 2022. On September 27, 2022, the Company modified the previous convertible debentures and entered into a new US\$150,000 (\$194,774) convertible debenture maturing on March 1, 2023. The remaining convertible debenture is to be repaid as part of a settlement agreement reached subsequent to November 30, 2022, see note 15. The convertible debentures accrue interest at 7% per annum, are convertible into common shares of the Company at the lowest discounted price allowable under the TSX Venture Exchange, are unsecured, and are not convertible until maturity.

Due to the terms of the agreements, all convertible debentures are convertible into an unknown number of shares at an unknown value which breaks the fixed for fixed criterium. Upon initial recognition of the convertible debentures, the Company bifurcated the convertible debentures into a host liability and a derivative liability. The derivative liability has been valued first using the Black-Scholes Pricing Model with the residual value being allocated to the host debt.

		Host Liability		Derivate Liability
December 1, 2021	\$	128,926	\$	-
Additions:		259,514		-
Bifurcation:	(1)	(215,338)		215,338
Interest:		12,428		-
Accretion:		136,414		-
Gain on fair value of derivative:	(2)	-		(75,656)
Extinguishment:	(3)	(183,500)		(69,056)
Currency translation:		5,988		3,054
November 30, 2022:	\$	144,432	\$	73,680

- (1) The following weighted average Black-Scholes Pricing Model inputs were used in determining the fair value of the derivative liability; (1) share price of US\$0.18, (2) exercise price of US\$0.13, (3) estimated annual volatility of 129%, (4) Risk-free interest rate of 2.95%, (5) expected life of 0.43 years, and (6) 0% expected dividend yield. Annualized volatility is estimated using the historical stock price of the Company.
- (2) The following weighted average Black-Scholes Pricing Model inputs were used in the change in the fair value of the derivative liability; (1) share price of US\$0.13, (2) exercise price of US\$0.10, (3) estimated annual volatility of 91%, (4) Risk-free interest rate of 3.86%, (5) expected life of 0.16 years, and (6) 0% expected dividend yield. Annualized volatility is estimated using the historical stock price of the Company.
- (3) On September 27, 2022, the US\$100,000 (\$128,926) and US\$50,000 (\$64,740) convertible debentures entered into on October 20, 2021, and May 24, 2022, were extinguished and a new US\$150,000 (\$194,774) convertible debenture was recorded. On extinguishment date the carrying value of the outstanding host debts extinguished were \$183,500 and the fair value of the derivative liabilities extinguished were \$69,056, these balance were extinguished. The fair value of the new derivative liability recorded on extinguishment date was \$103,019 and the residual value allocated to the host debt was \$91,190. A gain on extinguishment of debt in the amount of \$58,337 was recorded.

**8 Accrued Interest on Debt**

At November 30, 2022 and 2021 the principal obligation related to a historical debit instrument has been paid and unpaid accrued interest of \$418,355 (2021-\$383,948) remains unpaid. Interest accrues at 8.5% per annum.

		30-Nov-22		30-Nov-21
Balance of accrued interest, beginning of year	\$	383,948	\$	367,623
Accrued interest		34,407		31,325
Payments		-		(15,000)
Balance of accrued interest, end of year	\$	418,355	\$	383,948

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**9 Share Capital**

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

**Transactions for the Issue of Share Capital during the year ended November 30, 2022:**

Transaction	Date of Issue	Shares issued		Amount	Warrants issued
Options exercised	11-Jan-22	100,000	(1)	\$ 10,000	-
Units issued	24-Apr-22	1,270,000	(2)	\$ 317,500	635,000
Options exercised	11-Jul-22	1,950,000	(3)	\$ 195,000	-
Units issued	21-Sep-22	2,500,000	(4)	\$ 500,000	2,571,400
		<u>5,820,000</u>		<u>\$ 1,022,500</u>	<u>3,206,400</u>

- (1) On January 11, 2022, 100,000 shares were issued on exercise of options at \$0.10 for proceeds of \$10,000 cash.
- (2) On April 24, 2022 the Company issued 1,270,000 shares and 635,000 warrants which are exercisable at \$0.35 until February 28, 2024. These units were included in the February 2022 amended agreement for settlement of debt (see note 5).
- (3) On July 11, 2022, 1,950,000 options were exercised at \$0.10 for proceeds of \$195,000 in cash.
- (4) On September 21, 2022, 2,500,000 units were issued at a price of \$0.20 per unit with net proceeds to the Company of \$485,720. Each unit consisted of one common share and one share purchase warrant and 71,400 broker warrants were issued. Each warrant is exercisable to purchase one additional common share at a price of \$0.30 for a period of two years, expiring September 21, 2024.

**Transactions for the Issue of Share Capital during the year ended November 30, 2021:**

Transaction	Date of Issue	Shares issued		Amount	Warrants issued
Warrants exercised	15-Jan-21	1,100,000	(2)	\$ 165,000	-
Options exercised	14-Jan-21	100,000	(3)	\$ 10,000	-
Options exercised	29-Mar-21	300,000	(3)	\$ 30,000	-
Options exercised	24-Jun-21	450,000	(3)	\$ 45,000	-
Units issued	31-Mar-21	1,575,000	(4)	\$ 315,000	787,500
Units issued	03-Dec-20	2,612,500	(1)	\$ 522,500	2,707,000
Units issued	24-Jun-21	1,250,000	(5)	\$ 250,000	1,250,000
		<u>7,387,500</u>		<u>\$ 1,337,500</u>	<u>4,744,500</u>

- (1) On December 2, 2020 the Company completed a private placement of 2,612,500 units consisting of one share and one share purchase warrant and 94,500 brokers warrants valued at \$16,000. The warrants are exercisable until December 2, 2022 at an exercise price of \$0.30. The Company received \$503,600 in cash and incurred \$18,900 in cash share issue costs.
- (2) On January 15, 2021, 1,100,000 shares were issued on exercise of warrants at \$0.15 for proceeds of \$165,000 cash.
- (3) On January 14, March 29 and June 24, 2021 850,000 share options were exercised by service providers and the exercise price of \$0.10 for cash proceeds in the amount of \$85,000
- (4) On March 31, 2021, the Company issued 1,575,000 units consisting of one share and one half of a share purchase warrant. The warrants are exercisable until February 28, 2023 at an exercise price of \$0.30. The shares were issued pursuant to an amendment to the NB/CLC for payment of US\$250,000 of debt.
- (5) On June 24, 2021 the Company completed a private placement of 1,250,000 units consisting of one share and one share purchase warrant. The warrants are exercisable until June 16, 2023 at an exercise price of \$0.30. The Company received \$202,500 in cash, issued units to settle \$5,625 for services and \$24,375 for interest payable and incurred share issue costs of \$17,500.

**Stock Options**

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of common shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the Plan will have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less the maximum discount permitted under TSX Venture Exchange policies), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Options granted under the Plan vest immediately, except for options granted to consultants conducting investor relations activities, which become vested with the right to exercise one-fourth of the options upon the conclusion of each three month period subsequent to the grant date.

A summary of the status of the Company's stock option plan as at November 30, 2022, and November 30, 2021, and changes during the years then ended is as follows:

	2022			2021		
	Options		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Options Outstanding, beginning of year	6,950,000	(3)	\$ 0.13	7,200,000	\$	0.10
Exercised	(2,050,000)	(1)	0.10	(850,000)		0.10
Expired	(4,300,000)	(3)	0.10	-		-
Granted	5,250,000	(4)	0.15	600,000		0.40
Options Outstanding, end of year	<u>5,850,000</u>		<u>\$ 0.15</u>	<u>6,950,000</u>	<u>\$</u>	<u>0.13</u>

**Reserves**

Reserves are comprised of the fair value of stock option grants and warrants issued prior to exercise and the equity portion of convertible loans.

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**Share Capital (continued)**  
**Stock Options**

- (1) On January 11, 2022 and July 11, 2022, a total of 100,000 and 1,950,000 options respectively were exercised at an exercise price of \$0.10.  
(2) On June 30, 2022, a total of 4,300,000 options with an exercise price of \$0.10 have gone unexercised and have expired.  
(3) On July 14, 2022, a total of 600,000 options with a previous expiry date of November 30, 2023 have been modified. As part of the modification, the expiry date has been extended to July 31, 2027 and the exercise price has been reduced to \$0.15. See below for further details:

The incremental fair value change resulting from the modification has increased fair value of the options by \$60,000. The incremental fair value was estimated using the Black-Scholes Pricing Model under the following assumptions: (1) share price of \$0.185, (2) exercise price of \$0.40, (3) estimated annual volatility of 125%, (4) Risk-free interest rate of 2.96%, (5) expected life of 1.32 years, and (6) 0% expected dividend yield. Annualized volatility is estimated using the historical stock price of the Company.

- (4) On July 14, 2022, a total of 5,250,000 options were granted at an exercise price of \$0.15 and will expire on July 31, 2027.

The weighted average trading price of the Company's shares on option exercise date was \$0.185.  
The weighted average remaining life on the options is 4.67 years.

At November 30, 2022 the Company has outstanding stock options to acquire 5,850,000 shares of the Company's capital stock as follows:

Number of Options	Exercise Price (\$)	Expiry Date
5,250,000	0.15	July 31, 2027
600,000	0.15	July 31, 2027
<u>5,850,000</u>	<u>0.15</u>	

At November 30, 2021 the Company has outstanding stock options to acquire 6,950,000 shares of the Company's capital stock as follows:

Number of Options	Exercise Price (\$)	Expiry Date
6,350,000	0.10	June 30, 2022
600,000	0.40	November 30, 2023
<u>6,950,000</u>	<u>0.13</u>	

During the year ended November 30, 2021, the Company granted the following stock options:

In 2021, the Company issued options to acquire 600,000 shares with an exercise price of \$0.40 per share.

The fair value of the options granted were estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2022		2021	
Share price	\$	0.185	\$	0.440
Exercise price	\$	0.15	\$	0.40
Estimated annual volatility		130.00%		128.00%
Risk-free interest rate		3.14%		0.57%
Expected life (years)		5.05		2
Expected dividend yield	\$	-	\$	-

Annualized volatility is estimated using the historical stock price of the Company.

**Escrow Shares**

The Company has no outstanding escrow shares.

**Warrants**

	2022		2021	
Balance, beginning of year	\$	4,744,500	\$	1,100,000
Issued		3,206,400		4,744,500
Exercised		-		(1,100,000)
Expired		-		-
Balance, end of year	\$	<u>7,950,900</u>	\$	<u>4,744,500</u>
Weighted Avg. Exercise Price	\$	0.30	\$	0.30

At November 30, 2022, the Company had warrants outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date	
94,500	0.30	December 2, 2022	(1)
787,500	0.30	February 28, 2023	(1)
1,250,000	0.30	June 16, 2023	
635,000	0.35	February 28, 2024	
2,571,400	0.30	September 21, 2024	
<u>2,612,500</u>	<u>0.30</u>	<u>December 3, 2024</u>	<u>(2)</u>
<u>7,950,900</u>			

- (1) Subsequent to the year end these warrants went unexercised and have expired.  
(2) On November 10, 2022 the Company modified the expiry date on these warrants, which were set to expire on December 2, 2022.

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**9 Share Capital (continued)**  
**Warrants**

At November 30, 2021, the Company had warrants outstanding as follows:

Number of Warrants	Exercise Price \$	Expiry Date
2,707,000	0.30	December 2, 2022
787,500	0.30	February 28, 2023
<u>1,250,000</u>	0.30	June 16, 2023
<u>4,744,500</u>		

**10 Related Party Transactions**

- a) Management salaries totaling \$131,711 (2021 - \$131,771) were incurred with David Atkinson, CEO/President of the Company.
- b) Directors' fees totaling \$9,000 (2021- \$9,000) were incurred with a corporation controlled by a Director of the Company.
- c) Directors' fees totaling \$27,000 (2021 - \$27,000) were incurred with Directors of the Company.
- d) Legal fees totaling \$33,389 (2021 - \$26,019) were incurred with a law firm within which a personal law corporation controlled by the Secretary of the Company is a principal.
- e) Accounting fees totaling \$32,400 (2021 - \$29,700) were incurred with a Director and Officer of the Company.
- f) During the current year interest totaling \$34,407 (2021- \$31,325) was accrued on unpaid accrued interest to a director of the Company. See note 8.
- g) Notes payable issued for advances by a Director of the Company amount to \$435,304 (2021 - \$416,769). During the current year, interest totaling \$18,535 (2021 - \$12,810) was accrued on this debt. See note 6.
- h) Share based compensation totaling \$758,345 (2021- \$57,700) was incurred with related parties.

These transactions have been in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key Management Personnel Compensation

	November 30, 2022	November 30, 2021
Directors' fees	\$ 36,000	\$ 36,000
Professional fees	32,400	29,700
Management fees	131,711	131,711
	<u>\$ 200,111</u>	<u>\$ 197,411</u>

The amounts due to related parties included in accounts payable and accrued liabilities were payable to directors and officers. These balances are due on demand, have no specific terms of repayment, are non-interest bearing and unsecured unless otherwise stated; accordingly, fair value cannot be reliably determined.

	November 30, 2022	November 30, 2021
Due to the CEO, President and Director	\$ 134,216	\$ 150,872
Due to Directors	169,500	133,500
Due to a law firm within which a personal law corporation controlled by the Secretary of the Company is a principal	17,205	42,335
	<u>\$ 320,921</u>	<u>\$ 326,707</u>

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**11 Income Taxes**

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial tax rate to loss before taxes as follows:

Year ended	November 30, 2022	November 30, 2021
Net loss for the year before tax	\$ (1,841,181)	\$ 1,045,875
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated tax expenses (recovery)	(497,000)	(282,386)
Tax benefits not recognized	-	(9,828)
Non-deductible items for tax purposes	248,000	51,363
Difference in tax rates in other jurisdictions	(32,000)	(11,666)
Unrecognized tax benefits	281,000	252,517
<b>Current and deferred income tax</b>	<b>\$ -</b>	<b>\$ -</b>

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

	November 30, 2022	November 30, 2021
Research and development	\$ 1,818,000	\$ 1,680,630
Equipment	18,000	17,326
Non-capital loss carry forwards	2,341,000	2,143,472
Share issue costs	10,000	9,374
Note payable	85,000	43,770
Convertible debenture	-	87,078
Unrecognized tax assets	(4,272,000)	(3,981,650)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The Company has approximately the following available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses of approximately \$8,405,000 expire as follows:

2026	\$ 380,000
2027	522,000
2028	562,000
2029	479,000
2030	592,000
2031	774,000
2032	728,000
2033	293,000
2034	608,000
2035	457,000
2036	415,000
2037	524,000
2038	480,000
2039	31,000
2040	416,000
2041	638,000
2042	506,000
	<b>\$ 8,405,000</b>

At November 30, 2022 the Company has unclaimed landfill costs for Canadian income tax purposes in the amount of \$235,621 (2021 - \$235,621) which may be deducted against future taxable income on a discretionary basis.

The Company has available tax loss carry forwards of approximately US\$185,000 (2021 - US\$174,000) which may be carried forward to reduce taxable income in the United States in future years. If not utilized, the available loss carry forwards expire between 2018 and 2040.

**12 Segmented Information**

The Company's activities are all in one industry segment of waste disposal.

Property and equipment by geographical segments is as follows:

	Canada	United States	Total
November 30, 2022			
Cortina Landfill Project	\$ -	\$ 11,849,946	\$ 11,849,946
	\$ -	\$ 11,849,946	\$ 11,849,946
November 30, 2021			
Equipment	\$ 877	\$ -	\$ 877
Cortina Landfill Project	-	10,802,425	10,802,425
	\$ 877	\$ 10,802,425	\$ 10,803,302

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**13 Bonus Commitment**

In the case of:

- (i) the sale of 50.1% or more of CIWM; or
- (ii) the sale of 50.1% or more of CIWM's Cortina Landfill Project; or
- (iii) the sale of 50.1% or more of the Company's assets; or
- (iv) the acquisition by new principals, or a group more than 50% of the principals of which are not directly principals of the Company, of 33.34% or more of the issued shares of the Company; or
- (v) a de facto change of control of the Company and its management to a group the majority of which are not principals of the Company and which does not include the current President of the Company.

A cash bonus of \$1 million shall become payable on or before the 60th day following any of the change of control events described above, as follows:

- (i) 60% to a corporation controlled by the President of the Company;
- (ii) 20% to be divided evenly between and paid to the other than sitting Directors of the Company; and
- (iii) the remaining 20% will be divided and allocated between the then sitting Directors and others who have contributed to the success of the Company, excluding the current President, as determined by the Board of Directors.

In addition, the bonus shall become payable within 180 days of commercial production if the project is completed and put into commercial production by and under the control of the Company.

**14 Supplemental Cash Flow Information**

Changes in non-cash working capital for the year ended November 30, 2022 and the year ended November 30, 2021 were comprised of the following:

	<b>2022</b>	<b>2021</b>
Accounts receivable	\$ 1,166	\$ 21,344
Prepaid expenses and deposits	92,004	(112,902)
Accounts payable and accrued liabilities	(6,536)	(31,430)
<b>Net Change</b>	<b>\$ 86,634</b>	<b>\$ (122,988)</b>

The Company incurred non-cash financing and investing activities during the year ended November 30, 2022 and the year ended November 30, 2021:

	<b>2022</b>	<b>2021</b>
Non-cash financing and investing activities:		
Issue of share capital for:		
Shares issued for services	\$ -	\$ 5,625
Shares issued for interest	\$ -	\$ 24,375
Shares issued for debt	\$ 444,500	\$ 315,000

**15 Subsequent Event**

- a) On March 13, 2023 North Bay and the Company have agreed to amend the Settlement Agreement and pursuant to that amendment the Company will exercise its option to buy out the existing US\$5,900,000 loan from North Bay for US\$2,500,000. The Company will also repay US\$150,000 borrowed from North Bay under a separate loan agreement dated September 27, 2022 as part of the final payment. The total US\$2,650,000 payment will be made on or before September 30, 2023. The Company has also agreed to pay North Bay a 10% loan fee of US\$265,000 - which will be paid from 50% of the proceeds of the Company's next fundraising campaign. North Bay in turn will waive the US\$500,000 instalment payment due March 31, 2023, pursuant to the Settlement Agreement. Any failure by the Company to make payments under the option exercise will be deemed a breach of the Settlement Agreement, pursuant to which share certificates representing ownership of CIWM were transferred into an escrow account as security for the loan, and those share certificates will be irrevocably transferred to North Bay.