EARTHRENEW INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Canadian dollars)

McGovern
Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of EarthRenew Inc.

Opinion

We have audited the consolidated financial statements of EarthRenew Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of 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 Company as at December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2021 and, as of that date, the Company had negative working capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company'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 and, in doing so, consider whether the other information is materially

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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, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 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 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 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 judgement 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 risks 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.

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- 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.

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 of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 2, 2022

EARTHRENEW INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
(Expressed in Canadian dollars)	Note	**2021**	2020
ASSETS			
Current Assets			
Cash		**$ 1,274,977**	$ 953,768
Accounts receivable	13	**3,029,633**	113,192
Inventory	6	**926,304**	-
Prepaid expenses and deposits		**104,105**	395,883
		5,335,019	1,462,843
Non-current Assets			
Property, plant and equipment	7	**8,790,922**	4,176,232
Intangible assets	8	**10,943,067**	-
Goodwill	5	**1,722,983**	-
TOTAL ASSETS		**$ 26,791,992**	$ 5,639,075
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	21	**$ 5,204,762**	$ 561,288
Current portion of lease liabilities	9	**65,434**	30,019
Current portion of long-term debt	10	**588,651**	-
Current portion of contingent consideration	5,14	**1,868,749**	-
		7,727,596	591,307
Non-current liabilities			
Deferred taxes	20	**2,346,000**	-
Contingent consideration	5,14	**3,184,645**	-
Long-term lease liabilities	9	**434,253**	363,304
Long-term debt	10	**2,563,198**	-
TOTAL LIABILITIES		**16,255,693**	954,611
EQUITY			
Share capital	12	**24,195,577**	14,515,909
Warrants	12	**1,120,601**	1,097,804
Share-based payments reserve	12	**1,224,504**	1,087,976
Deficit		**(16,004,383)**	(12,017,225)
TOTAL EQUITY		**10,536,299**	4,684,464
TOTAL LIABILITIES AND EQUITY		**$ 26,791,992**	$ 5,639,075
Nature of operations and going concern	1		
Commitments and contingencies	14		
Subsequent events	23		

See accompanying notes to the Consolidated Financial Statements.

Approved on behalf of the Directors:

"Keith Driver"
Director

"Catherine Stretch"
Director

EARTHRENEW INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

		Years Ended December 31,	
(Expressed in Canadian dollars)	Note	**2021**	2020
REVENUES	21	**$ 12,299,580**	$ 506,859
Cost of goods sold		**(8,999,084)**	(360,029)
		3,300,496	146,830
EXPENSES			
General and administrative	16	**4,325,143**	3,035,270
Bad debt expense		**651,946**	-
Share-based payments	12	**840,732**	392,546
Research and development		**155,105**	292,030
Depreciation and amortization	7,8	**1,209,666**	301,596
Financing	17	**115,181**	21,988
Foreign exchange loss		**19,414**	8,740
Total expenses before other items		**7,317,187**	4,052,170
Other income	18	**109,616**	73,188
Loss on disposal of assets		**-**	(45,324)
Loss on change in fair value of contingent consideration	14	**(726,464)**	-
Loss before income taxes		**(4,633,539)**	(3,877,476)
Deferred income tax provision	19	**(69,502)**	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		**$ (4,703,041)**	$ (3,877,476)
NET LOSS PER SHARE			
Basic and diluted	20	**$ (0.06)**	$ (0.08)
Weighted average number of shares			
Basic and diluted		**74,599,990**	46,658,067

See accompanying notes to the Consolidated Financial Statements.

EARTHRENEW INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)	Share capital $	Warrants $	Share-based payment reserve $	Deficit $	Total Shareholders' Equity $
Balance, December 31, 2019	11,241,434	35,511	947,163	(8,391,482)	3,832,626
Private placement, net of issue costs	4,336,768	-	-	-	4,336,768
Warrants granted	(1,062,293)	1,062,293	-	-	-
Stock options granted	-	-	392,546	-	392,546
Stock options expired	-	-	(251,733)	251,733	-
Net loss	-	-	-	(3,877,476)	(3,877,476)
Balance, December 31, 2020	**14,515,909**	**1,097,804**	**1,087,976**	**(12,017,225)**	**4,684,464**
Shares issued for acquisition	**5,273,496**	**-**	**-**	**-**	**5,273,496**
Shares issued for settlement of debt	**541,796**	**-**	**-**	**-**	**541,796**
Shares issued for settlement of contingent consideration	**599,443**	**-**	**-**	**-**	**599,443**
Private placement	**2,048,259**	**-**	**-**	**-**	**2,048,259**
Warrants granted	**(556,675)**	**556,675**			**-**
Warrants exercised	**1,739,309**	**(510,159)**	**-**	**-**	**1,229,150**
Warrants expired		**(23,719)**	**-**	**23,719**	**-**
Share-based compensation	**-**	**-**	**840,732**	**-**	**840,732**
Stock options exercised	**34,040**	**-**	**(12,040)**	**-**	**22,000**
Stock options expired	**-**	**-**	**(479,210)**	**479,210**	**-**
Stock options forfeited	**-**	**-**	**(212,954)**	**212,954**	**-**
Net loss	**-**	**-**	**-**	**(4,703,041)**	**(4,703,041)**
Balance, December 31, 2021	**24,195,577**	**1,120,601**	**1,224,504**	**(16,004,383)**	**10,536,299**

See accompanying notes to the Consolidated Financial Statements.

EARTHRENEW INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31,	
(Expressed in Canadian dollars)	Note	**2021**	2020
OPERATING ACTIVITIES			
Net loss		**$ (4,703,041)**	$ (3,877,476)
Items not affecting cash:			
Depreciation and amortization	7,8	**1,209,668**	301,596
Share-based compensation	12	**840,732**	392,546
Interest payable		**56,398**	14,015
Loss on disposal of assets		**-**	45,324
Loss on change in fair value of contingent consideration	14	**726,464**	-
Deferred income tax recovery	19	**69,502**	-
Changes in non-cash working capital	22	**1,383,566**	(628,713)
Net cash used in operating activities		**(416,711)**	(3,752,708)
FINANCING ACTIVITIES			
Private placement proceeds	12	**2,048,259**	4,551,352
Cost of issue		**-**	(214,584)
Shares to be issued	12	**-**	-
Lease liability payments	9	**(91,257)**	(64,500)
Repayment of long-term debt	10	**(1,631,104)**	-
Proceeds from long-term debt	10	**3,010,478**	-
Proceeds from exercise of options	12	**22,000**	-
Proceeds from exercise of warrants	12	**1,229,150**	-
Net cash provided by financing activities		**4,587,526**	4,272,268
INVESTING ACTIVITIES			
Additions to property, plant and equipment	7	**(1,965,848)**	-
Cash acquired	5	**18,360**	-
Cash paid out for contingent consideration		**(399,628)**	-
Acquisition of Replenish	5	**(1,502,490)**	-
Net cash used in investing activities		**(3,849,606)**	**-**
Decrease in cash during the year		**321,209**	519,560
CASH - BEGINNING OF YEAR		**953,768**	434,208
CASH – END OF YEAR		**$ 1,274,977**	$ 953,768
SUPPLEMENTAL CASH FLOW INFORMATION			
Broker warrants issued		**$ -**	$ 219,993
Shares issued for acquisition		**5,273,496**	-
Shares issued for settlement of contingent consideration		**599,443**	-
Shares issued for settlement of debt		**541,796**	-

See accompanying notes to the Consolidated Financial Statements.

(Expressed in Canadian dollars, excepts as otherwise noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

EarthRenew Inc. (the "Company" or "EarthRenew") is a publicly listed company incorporated in the province of Ontario, Canada and its shares are listed on the Canadian Securities Exchange ("CSE"). The Company trades under the symbol "ERTH.CN" on the CSE. The Company's head office is located at 610, 600 6th Avenue SW, Calgary, AB, T2P 0S5.

EarthRenew is engaged in the following business activities:

- Low-cost sustainable power generation; and
- Production of regenerative fertilizers for sale to agricultural farmers.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations, and do not include any adjustments to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Details of deficit and working capital (current assets less current liabilities) of the Company are as follows:

	December 31, 2021	December 31, 2020
Deficit	**$ 16,004,383**	$ 12,017,225
Net loss	**4,703,041**	3,877,476
Working Capital (Deficit)	**(2,392,577)**	871,536

The Company will be required to generate cash flows from operations and or may need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future. It is not possible to predict whether financing efforts will be successful or if the Company will ever attain a profitable level of operations. These conditions indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern.

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. COVID-19 has had a minimal effect on the Company's operations to date. The Company's power generation activities are largely affected by peak power demand for electricity caused by weather-related events pushing up the demand for electricity.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of December 31, 2021.

Certain comparative figures have been reclassified to conform with current period presentation.

These consolidated financial statements were authorized for issue by the Board of Directors, on May 2, 2022.

BASIS OF CONSOLIDATION

All entities in which the Company has a controlling interest are fully consolidated from the date that control commences until the date that control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

These consolidated financial statements include the accounts of EarthRenew Inc. and its wholly owned subsidiaries EarthRenew Strathmore Inc. and Replenish Nutrients Ltd. Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions have been eliminated.

BASIS OF PREPARATION

These consolidated financial statements are prepared on a historic cost basis; except for 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. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies, which are outlined in Note 3.

FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which it operates. The Company's consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("Foreign Currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in Foreign Currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all periods in these consolidated financial statements.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value as at the acquisition date. Acquisition costs are expensed in the period incurred.

Any contingent consideration to be transferred by the Company will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is determined to be an asset or liability will be recognized in accordance with IFRS 9 – Financial Instruments, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the fair value of consideration transferred over the fair value of the net identifiable assets acquired in a business combination. Any negative difference is considered a bargain purchase and is recognized directly in the consolidated statements of income (loss) and comprehensive income (loss).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the cash-generating unit ("CGU"), which is expected to benefit from the synergies of the business combination.

Goodwill is tested annually for impairment or more frequently when there is an indication that goodwill may be impaired. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of other assets in the CGU on a pro rata basis. Goodwill impairment is recorded in the consolidated statements of income (loss) and comprehensive income (loss) in the period of impairment. Impairment losses on goodwill are not reversed in subsequent periods. The Company completes its annual impairment test as at December 31.

REVENUE

Revenue is allocated to the respective performance obligations based on relative transaction prices, and is recognized as goods and services are delivered to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for the goods transferred or services delivered. The amount of revenue recognized reflects the time value of money where a significant financing component has been identified.

Contract modifications are accounted for prospectively or as a cumulative catch-up adjustment depending on the nature of the change.

Where the amount of goods and services delivered to the customer corresponds directly to the amount invoiced, the Company recognizes revenue equal to what it has the right to invoice. Where the Company arranges for another party to provide a specified good or service (that is, it does not control the specified good or service provided by another party before that good or service is transferred to the customer), only revenues net of payments to the other party for the goods or services provided are recognized.

Non-cash considerations received from the Company's customers are included in the amount of revenue recognized and measured at fair value.

Costs incurred directly to obtain or fulfill a contract are capitalized and amortized to expense over the life of the contract.

Fertilizer production

Fertilizer sales are generated from regenerative fertilizer solutions and is sold to the agriculture industry. Revenue on fertilizers is recognized upon delivery to the customer and corresponds directly to the amount invoiced, net of applicable sales taxes, returns, rebates, and discounts.

Revenue from fertilizer spreading services is recognized when the services are provided to the customer and revenue is recognized in an amount that corresponds directly with the services delivered and the amount invoiced.

Revenue from long-term contracts that relate to fertilizer solutions is recognized over time based on the costs incurred.

Electricity generation and delivery

Electricity sales are generated from the Company's turbine and is sold to the Alberta Electric System Operator based on tariff approved rates. The Company recognizes revenue in an amount that corresponds directly with the services delivered and the amount invoiced.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive leadership team, which comprises the executive directors and certain senior executives. The executive leadership team is responsible for assessing the performance of the operating segments for the purpose of making decisions about resources to be allocated. Operating segments are combined for external reporting purposes where they have similar economic characteristics, and the nature of products and production processes, the type and class of customers and the methods to distribute products are all similar.

GOVERNMENT GRANTS

Government grants are recognized in the Consolidated Statement of Loss and Comprehensive Loss over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate. Government grants are recognized only when there is reasonable assurance that the Company will comply with the condition attached to the grant and that the grant will be received.

Investment tax credits related to the research and development expenditures are accrued as an offset to the expense when there is reasonable assurance that the credits will be realized.

The Company accounts for a forgivable loan from the government as a government grant when there is reasonable assurance that the Company will meet the terms for the forgiveness of the loan. The Company records the government loan at its estimated fair value at the date in which the payments are recorded. The estimated fair value of the loan is determined using the effective interest rate method. The difference between the fair value and the proceeds of the interest free loans is a benefit and is also accounted for as a government grant. The benefit is accreted to the loan over the term of the loan.

RESEARCH AND DEVELOPMENT COSTS

The Company is engaged in research and development activities of new and existing products. Research costs are expensed as they are incurred. Development costs are also expensed in the period incurred, unless such costs meet the criteria for recognition as an intangible asset.

INCOME TAXES

Income taxes are the sum of current and deferred taxes. Income tax is recognized in earnings, except to the extent it relates to items recorded in equity.

Current tax is calculated on taxable earnings using rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the asset and liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to temporary differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on deferred income tax liabilities and assets is recognized in income in the period that the change occurs. Deferred income tax assets are recognized only when it is probable that future taxable earnings will be available against which the temporary differences can be applied.

Deferred income tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or of other assets and liabilities in a transaction, other than a business combination, that does not affect accounting or taxable earnings.

Current income tax assets and liabilities are offset where the Company has the legally enforceable right to offset and the Company intends to either settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset where the Company has a legally enforceable right to set off tax assets and liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority.

LOSS PER SHARE

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive. As at December 31, 2021 and 2020, all of the Company's stock options and warrants were anti-dilutive.

CASH
Cash consists of cash at bank, and other short-term highly liquid investments with a maturity of 90 days or less.

INVENTORY
Inventory is measured at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition. Inventory is comprised of raw materials, work in progress, and finished goods. The cost of inventory is determined using the weighted average method.

Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form. Inventory is written down to net realizable value when the cost of inventory is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When the circumstances that previously caused inventory to be written down below cost no longer exist, the amount of write-down previously recorded is reversed.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment ("PP&E") are recorded at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent costs are recognized as PP&E only when it is probable that future economic benefits will flow to the Company and the cost can be measured reliably. All other expenditures are recognized in profit or loss as incurred. When components of an asset are replaced, disposed of, or no longer in use, the carrying amount is derecognized. The costs of repairs and maintenance activities for servicing of PP&E are expensed when incurred.

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. The effective interest method is used to calculate capitalized interest using specified rates for specific borrowings and a weighted average rate for general borrowings. Interest capitalization starts when borrowing costs and expenditures are incurred at the onset of construction and ends when construction is substantially complete.

Depreciation is recorded on the basis of the estimated useful lives of the related assets using the following methods and rates:

	Method	Rate
Electricity equipment	Straight- line	5 years
Moveable equipment	Straight-line	5 years
Plant and buildings	Straight-line	25 years
Other equipment	Declining balance	10%
Vehicles	Declining balance	20%
Right-of-use assets	Straight-line	Over lease term

INTANGIBLE ASSETS
Intangible assets are initially recognized at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. The intangible assets are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The estimated useful lives and depreciation methods are reviewed annually, with any changes in estimate accounted for prospectively.
Intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Customer relationships	10 years
Brand name	10 years
Assembled workforce	5 years

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND INTANGIBLES

PP&E and intangible assets with finite lives are tested for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed at the CGU level, which is the smallest identifiable group of assets that generates independent cash inflows. An impairment loss is recognized in earnings when the CGU's carrying value is higher than its recoverable amount. The recoverable amount is the greater of the CGU's fair value less disposal costs and its value in use. In assessing the fair value less costs of disposal, the estimated future cash flows are discounted to their 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.

An impairment loss may be reversed in whole or in part if there is objective evidence that a change in the estimated recoverable amount is warranted. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

FINANCIAL INSTRUMENTS

The Company classifies financial assets when they are first recognized as amortized cost or fair value through profit or loss. Classification is determined based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as amortized cost or fair value through profit or loss.

Amortized cost

Financial instruments classified as amortized cost are initially measured at fair value and subsequently measured at their amortized cost using the effective interest method.

Fair value through profit or loss

Financial instruments classified as fair value through profit or loss are initially measured at fair value with subsequent changes in fair value recognized in earnings.

The Company classifies financial instruments when they are first recognized as fair value through profit or loss, available for sale, held to maturity investments or loans and receivables. Financial liabilities are classified as fair value through profit or loss or amortized cost.

Transaction costs

Transaction costs directly attributable to the purchase or issue of financial assets or financial liabilities that are not classified as fair value through profit or loss are added to the fair value of such assets or liabilities when initially recognized. Transaction costs for long-term debt are amortized over the life of the debt using the effective interest rate method. The Company's long-term debt is presented net of their respective transaction costs.

Derecognition of financial instruments

Financial assets are derecognized:

- (i) when the right to receive cash flows from the financial assets has expired or been transferred, and
- (ii) the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when the obligation is discharged, cancelled, or expired.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

At each reporting date, the Company assesses whether there is evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If such evidence exists, an impairment loss is recognized in earnings.

Impairment losses on financial assets carried at amortized cost are calculated as the difference between the amortized cost and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses on financial assets carried at amortized cost may be reversed in whole or in part if there is evidence that a change in the estimated recoverable amount is warranted. The revised recoverable amount cannot exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods.

The Company used an expected credit loss ("ECL") impairment model for its financial assets measured at amortized cost. The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. The ECL model requires the recognition of credit losses based on 12 months of expected losses for financial assets (Stage 1) and the recognition of lifetime ECL on financial assets that have experienced a significant increase in credit risk since origination (Stage 2). IFRS 9 permits entities to apply a simplified approach to trade receivables, where a lifetime ECL will be measured at initial recognition of the receivable.

The Company applies the expected credit loss allowance matrix based on historical credit loss experience, aging of financial assets, forward-looking information specific to the party, and general economic outlooks.

For accounts receivable, the Company estimates credit loss allowances at initial recognition and throughout the life of the receivable. For all other financial instruments, the Company estimates credit loss allowances from possible default events within the twelve months after the balance sheet date.

The Company does not have any financial assets that contain a financing component. The Company has not designated any financial instruments as fair value through other comprehensive income ("FVOCI"), nor does the Company use hedge accounting.

LEASES

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognized as a right-of-use (“ROU”) asset in property, plant and equipment and a corresponding liability in lease liabilities at the date at which the leased asset is available for use by the Company. The ROU asset is recognized at cost and is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term. The lease term includes consideration of an option to extend or to terminate if the Company is reasonably certain to exercise that option. The cost of the ROU asset is based on the following:

- the amount of initial recognition of related lease liability;
- adjusted by any lease payments made on or before inception of the lease;
- increased by any initial direct costs incurred; and
- decreased by lease incentives received and any costs to dismantle the leased asset.

Lease liabilities are initially recognized at the present value of the lease payments. The lease payments are discounted 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 the discount rate.

Subsequent to recognition, lease liabilities are measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there is a change in future lease payments arising mainly 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, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

The payments related to short-term leases and low-value leases are recognized as other expenses over the lease term in the consolidated statements of loss (income).

SHARE-BASED COMPENSATION

Common shares are classified as equity. New issuance of common shares is valued at the consideration received for those shares. Incremental costs directly attributable to the issue of the common shares are recognized as a deduction from equity, net of any tax effects.

Stock option plan
The Company offers a stock option plan for executives and employees. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The fair value of the stock options is determined using the Black-Scholes pricing model and is recognized as an expense with a corresponding increase to share-based payment reserve.

The number of stock options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for stock options granted shall be based on the number of stock options that eventually vest. Upon the exercise of stock options, any amount related to the initial value of the stock option along with the proceeds received by the Company are recorded to share capital.

No expense is recognized for stock options that do not vest. The amounts recorded as share-based payments for stock options that have expired unexercised or have vested but have been forfeited are transferred to deficit.

If stock options are cancelled during the vesting period, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the remaining amount for services received.

Share purchase warrants
The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants (“Warrants”). Depending on the terms and conditions of each equity financing agreement, Warrants are exercisable into additional common shares prior to expiry at a price stipulated in the agreement.

Warrants are fair valued using the Black-Scholes option pricing model and the fair value is allocated to Warrants from the net proceeds and the balance is allocated to shares. The fair value attributed to the Warrants is recorded as warrants. When warrants are exercised, the value is transferred from warrants to share capital. If the warrants expire unexercised, the related amount is reallocated to deficit.

Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments and are recognized in equity.

PROVISIONS
The Company recognizes provisions when:

(i) there is a current legal or constructive obligation as a result of a past event;
(ii) a probable outflow of economic benefits will be required to settle the obligation; and
(iii) a reliable estimate of the obligation can be made.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. If discounting is used, the increase in the provision due to the passage of time is recognized in financing expense.

CONTINGENCIES
A contingent liability is a possible obligation, and a contingent asset is a possible asset, that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability may also be a present obligation that arises from past events that is not recognized because it is not probable that an outflow of economic resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

Contingent liabilities are only recognized in the consolidated financial statements if the obligations are more certain and the outflow of resources with economic benefits has become probable and their amount can be reliably estimated. A contingent asset is only disclosed where an inflow of economic benefits is probable.

Management evaluates the likelihood of contingent events based on the probability of exposure to potential loss. Actual results could differ from these estimates.

FOREIGN CURRENCY TRANSLATION
Transactions in foreign currencies are translated into the functional currency using the exchange rate on the transaction date. Monetary assets and liabilities denominated in a foreign currency are adjusted to reflect the exchange rate at the statement of financial position date. Foreign exchange gains or losses on translation of these monetary items are recognized in loss. Non-monetary items not measured at fair value are not retranslated after they are first recognized.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new or amended standards or interpretations issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) are mandatory for accounting periods on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded.

The standards issued, but not yet effective, are described below.

- IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier adoption is permitted.

- IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in February 2021. The IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that require entities to disclose their material accounting policies rather than their significant accounting policies, with guidance to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier adoption is permitted.

- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) was amended in February 2021 to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier adoption is permitted.

- IAS 12 – Income Taxes (“IAS 12”) was amended in May 2021. The IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrowed the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. The amendments are effective January 1, 2023, with early adoption permitted.

- IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended in May 2020 to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. Earlier adoption is permitted.

- IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

- IFRS 3 - Business Combinations (“IFRS 3”) was amended in May 2020 to update an outdated reference in the conceptual framework in IFRS 3 without significantly changing its requirements (Amendments to IFRS 3). The amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination; and that for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 to identify the liabilities it has assumed in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022.

The Company will adopt these amendments as of their effective dates and is currently assessing their impacts on adoption. There are no other standards or interpretations issued, but not yet effective, that the Company anticipates may have a material effect on the consolidated financial statements once adopted.

4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS requires the Company’s management to make judgements, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant judgements, estimates and assumptions considered by management in preparing the consolidated financial statements include:

- Assets’ carrying values and impairment charges - In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Contingencies - Contingencies can be either possible assets or possible liabilities arising from past events, which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. Furthermore, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on management’s best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management’s estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

- Depreciation rates - All plant and equipment are depreciated over a term, which the Company believes is the best approximation of the asset utility to the Company. If the estimated life had been longer than management’s estimate, the carrying amount of the asset would have been higher. The Company applies significant estimates to determine the useful lives, considering technological advancements, past experience, expected use and review of useful lives.

- Share-based payments - Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgement used in applying valuation techniques. These assumptions and judgements include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Income taxes, value added, withholding and other taxes - The Company is subject to income, value added, withholding and other taxes. Significant judgement is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Discount rate used in adoption of IFRS 16 - The determination of the Company's lease liabilities, right-of-use assets, and net investment in lease depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

- Expected credit losses - Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgement about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

- Business combinations - Purchase price allocation involves judgment in identifying assets acquired and liabilities assumed, and estimation of their fair values. Key assumptions include discount rates and revenue growth rates specific to the acquired assets or liabilities assumed. The Company performed a thorough review of all internal and external sources of information available on circumstances that existed at the acquisition date. The Company also engaged an independent valuation expert to assist in determining the fair value of certain assets acquired and liabilities assumed and related deferred income tax impacts.

Use of judgements and estimates around the COVID-19 pandemic

For the year ended December 31, 2021, the Company performed an assessment of the impacts of uncertainties around the COVID-19 pandemic on its consolidated financial position, financial performance and cash flows. The assessment required use of judgements and estimates and resulted in no material impacts to the consolidated financial statements. The future impact on the Company is unknown.

5. ACQUISITION

On May 12, 2021, EarthRenew acquired 100% of the issued and outstanding securities of Replenish Nutrients Ltd. "Replenish", a regenerative fertilizer and nutrient company located in Okotoks, Alberta. The Company paid $1,502,490 in cash and issued a total of 21,264,093 common shares of EarthRenew at a price of $0.248 per common share. The acquisition has an effective date of May 1, 2021.

In addition, the security holders of Replenish ("Vendors") shall be entitled to nominate three individuals for election to EarthRenew's board of directors at its annual general meeting held each year for so long as the Vendors collectively hold at least 10% of the issued and outstanding EarthRenew Shares.

As additional consideration, the Company also agreed to pay the following:

- ongoing earn-out payments totalling an aggregate of up to $7,000,000 based on qualifying gross annual revenue of Replenish multiplied by an earn-out factor for each of its 12-month fiscal periods ending June 30, 2025 payable by a combination of cash payments and the issuance of common shares of EarthRenew, provided the security holders of Replenish continue to be bound by consulting or employment agreements entered into with the Company; and
- supplemental earn-out payments of an aggregate amount of up to $2,000,000 based on certain sales parameters, which shall be payable by a combination of cash payments and the issuance of EarthRenew shares and evidenced by promissory notes that have been issued to the security holders of Replenish.

The EarthRenew shares issued to the Vendors are subject to a four month hold period expiring on September 11, 2021 and, on a monthly basis, each Vendor is restricted to disposing of that number of EarthRenew shares equal to such Vendor's proportionate ownership of the EarthRenew shares issued to all Vendors pursuant to the Transaction multiplied by 20% of the average monthly trading volume of EarthRenew Shares on the Canadian Securities Exchange (" CSE ") for the 3 months preceding the month in which the disposition is made.

As a result of the acquisition, Replenish became a subsidiary of EarthRenew. This acquisition was assessed as a business combination in accordance with IFRS3 and was accounted for using the acquisition method, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition.

Consideration		
Cash	$	1,502,490
Common shares		5,273,496
Contingent consideration		5,326,000
Total purchase price		12,101,986
Shareholder loans		(2,807,333)
Purchase consideration	**$**	**9,294,653**

Management completed an assessment in identifying and measuring all the assets acquired and liabilities assumed prior to the recognition of goodwill. This assessment included a thorough review of all internal and external sources of information available on circumstances that existed at the acquisition date. The Company engaged an independent valuation expert to assist in determining the fair value of assets acquired and liabilities assumed and related deferred income tax impacts.

The value of goodwill is primarily attributable to the cost synergies associated with the reduction of general and administrative expenses, revenue growth and future market development. This goodwill is not deductible for income tax purposes.

The values that were allocated to Replenish's assets and liabilities as at May 1, 2021 based upon estimated fair values were as follows:

Allocation of purchase price		
Cash	$	18,360
Accounts receivable and other assets		2,651,492
Inventory		1,366,528
Plant and equipment		3,068,577
Intangible assets		11,733,000
Accounts payable and other liabilities		(2,712,712)
Other current liabilities		(1,031,819)
Deferred taxes		(2,276,498)
Shareholder loans		(2,807,333)
Notes payable		(503,785)
Long-term debt		(1,775,882)
Lease liabilities		(158,258)
Goodwill		1,722,983
Net assets received	**$**	**9,294,653**

Total transaction costs of $147,447 for legal and advisory services related to the acquisition of Replenish were expensed.

Pro forma results of operations

The following pro forma results of operations assume Replenish was acquired by the Company on January 1, 2021:

						Year Ended December 31, 2021
		As stated		**Amounts prior to acquisition**		**Proforma**
Revenue	$	12,299,580	$	2,938,611	**$**	**15,238,191**
Net loss		(4,703,041)		(673,732)		**(5,376,773)**

The pro forma results of operations are not intended to reflect the results that would have actually occurred had the acquisition closed on January 1, 2021. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the acquisition in a subsequent period or periods.

6. INVENTORY

Total carrying amount of inventory is as follows:

December 31, 2020 and 2019	$	-
Raw materials		461,632
Work in progress		26,725
Finished goods		437,947
December 31, 2021	**$**	**926,304**

During the year ended December 31, 2021, $6,189,055 (2020 - $nil) of inventory was recognized as cost of sales.

7. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Equipment	Electricity Equipment	Plant and Buildings	Vehicles	Land	Right-of-use assets	Total
Cost							
At December 31, 2019	$ 61,479	$ 500,000	$3,605,805	$ -	$ -	$ 428,659	$ 4,595,941
Disposals	(61,479)	-	-	-	-	-	(61,479)
Modification of lease	-	-	-	-	-	322,200	322,200
At December 31, 2020	**-**	**500,000**	**3,605,805**	**-**	**-**	**750,859**	**4,856,664**
Acquisitions	1,052,500	-	660,650	88,000	1,250,825	16,602	3,068,577
Additions	1,880,057	-	85,790	-	-	-	1,965,847
At December 31, 2021	**$ 2,932,558**	**$ 500,000**	**$4,352,244**	**$ 88,000**	**$1,250,825**	**$ 767,461**	**$ 9,891,088**
Accumulated depreciation							
At December 31, 2019	$ 25,616	$ 50,000	$ -	$ -	$ -	$ 342,924	$ 418,540
Depreciation	14,088	100,000	144,232	-	-	43,276	301,596
Disposals	(39,704)	-	-	-	-	-	(39,704)
At December 31, 2020	**-**	**150,000**	**144,232**	**-**	**-**	**386,200**	**680,432**
Depreciation	85,783	100,000	161,781	11,071	-	61,098	419,734
At December 31, 2021	**$ 85,783**	**$ 250,000**	**$ 306,013**	**$ 11,071**	**-**	**$ 447,298**	**$ 1,100,166**
Net Book Value							
At December 31, 2020	-	350,000	3,461,573	-	-	364,659	4,176,232
At December 31, 2021	**$2,846,775**	**$ 250,000**	**$4,046,231**	**$ 76,929**	**$1,250,825**	**$ 320,163**	**$ 8,790,922**

Included in Equipment are assets that are under financing leases with a net book value of $144,963 at December 31, 2021 (2020 -$nil).

8. INTANGIBLE ASSETS

A reconciliation of the changes in the carrying amount of intangible assets is as follows:

	Customer Relationships	Brand Name	Assembled Workforce	Total
Cost				
At December 31, 2020 and 2019	**-**	**-**	**-**	**-**
Acquisitions	$ 6,225,000	$ 5,392,000	$ 116,000	$ 11,733,000
Amortization	(415,000)	(359,467)	(15,466)	(789,933)
At December 31, 2021	**$ 5,810,000**	**$ 5,032,533**	**$ 100,534**	**$ 10,943,067**

9. LEASE LIABILITIES

The Company has lease agreements in place for land as well as office premises.

The changes in lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Balance, beginning of year	**$ 393,323**	$ 419,278
Acquisition	**158,258**	-
Interest expense	**39,363**	21,988
Lease payments	**(91,257)**	(370,143)

Lease renewals	-	322,200
Balance, end of year	**499,687**	393,323
Current portion	**65,434**	30,019
Long-term portion	**434,253**	363,304
Lease Liabilities	**$ 499,687**	$ 393,323

The total undiscounted amount of the estimated future cash flows to settle the lease liabilities over the remaining lease term is $635,543.

The following is a reconciliation from the undiscounted lease payments to the lease liabilities:

2022	$ 106,886
2023	106,886
2024	106,886
2025	67,385
2026	66,000
2027	66,000
2028	66,000
2029	49,500
Total contractual cash flows	**635,543**
Less: interest	(135,856)
Lease liabilities	**$ 499,687**

10. LONG TERM DEBT

CANADA EMERGENCY BUSINESS ACCOUNT LOAN

On May 1, 2021, EarthRenew acquired all of the outstanding loans from Replenish, which included a $100,000 interest-free loan from the Canada Emergency Business Account Program ("CEBA"). By repaying the loan before December 31, 2023, the Company will benefit from a $30,000 loan forgiveness, which has been recorded as a government grant in the Consolidated Statement of Loss and Comprehensive Loss. If the loan is not repaid by December 31, 2023, it will be converted into a three-year term loan at an annual interest rate of 5%, with the entire loan to be repaid. The Company intends to repay the balance of $70,000 in December 2023.

The fair value of the CEBA Loan as at December 31, 2021 is $66,592. The fair value of the loan was discounted using an interest rate of 5%. For the year ended December 31, 2021, accretion expense of $2,179 (December 31, 2020 - $nil) was recorded related to the CEBA loan.

CREDIT FACILITY WITH AGRICULTURE FINANCIAL SERVICES CORPORATION

Effective July 21, 2021, Replenish, a wholly owned subsidiary of EarthRenew, secured new senior secured asset-based credit facilities totalling $3.2 million (the "ABL Facility") from Agriculture Financial Services Corporation ("AFSC").

The ABL Facility contemplates a five-year term, including interest-only payments until January 1st, 2022. Amounts drawn on the main facility bear interest at a rate of 3.52% per annum, while the inventory loan rate is 2.875% per annum. The ABL Facility is subject to compliance with financial covenants starting in 2022. EarthRenew has provided an unlimited guarantee as security for the ABL Facility. The proceeds of the ABL Facility were primarily used to fully repay previously existing senior debt facilities held by the Bank of Montreal.

As at December 31, 2021, transaction costs comprised of legal fees and title fees of $31,292 were expensed.

Bank of Montreal senior debt facilities were acquired with the Replenish acquisition. The debt facility was comprised of an operating loan to a maximum of $250,000 and 6 additional separate loan agreements maturing between 2023 and 2036 with monthly combined principal payments of $14,774, all were subject to bearing interest at bank's prime lending rate plus 1%, due one demand. The loans were subject to compliance with financial covenants.

December 31, 2020 and 2019	**$**	**-**
Debt on acquisition		1,775,882
New debt proceeds		3,010,478
Discount		(5,586)
Interest accretion		2,179
Payments		(1,631,104)
December 31, 2021	**$**	**3,151,849**

As at December 31, 2021, EarthRenew had the following outstanding long-term debt:

	Interest Rate	Maturity	December 31, 2021	December 31, 2020
CEBA loan	5%	Dec-2022	**$ 66,592**	$ -
AFSC loan	2.875%	Jun-2024	**500,000**	-
AFSC loan	3.520%	Dec-2026	**1,260,478**	-
AFSC- Building loan	3.520%	Dec-2026	**1,250,000**	-
Other asset specific secured loans	0% to 4.99%	Feb 2023 to Aug 2026	**74,779**	-
			$ 3,151,849	$ -

	December 31, 2021	December 31, 2020
Current portion of long-term debt	**$ 588,651**	$ -
Long-term portion of long-term debt	**2,563,198**	-
	$ 3,151,849	$ -

11. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of shareholders' equity, long-term debt and leases. The Company manages its capital structure and makes adjustments based on the funds available to support the development of its operations. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain future development of the business.

The Company is dependent upon external financing to fund its activities. To continue to carry out the Company's planned development and funding of ongoing administrative expenses the Company will utilize its existing working capital and will raise additional capital as appropriate.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets.

On October 8, 2020, the Company entered into an equity financing facility (the "Facility") for up to $10,000,000 with Alumina Partners (Ontario) Ltd. ("Alumina"), an affiliate of New York-based private equity firm Alumina Partners LLC. The investment agreement provides the Company with an at-will financing facility over a period of 24 months during which the Company can draw down, at its sole discretion, equity private placement tranches of up to $500,000. Each tranche will be composed of units, with each unit consisting of one common share of the Company and one common share purchase warrant, at discounts between 15 and 25 percent of the closing price of the common shares on the day prior to the Company's drawdown notice to Alumina. The exercise price of the warrants will be at a 25 percent premium over market at the time of issuance and the warrants will have a term of 60 months. Each draw down from the Facility may be subject to approval of the Canadian Securities Exchange. All securities issued pursuant to a financing under the Facility will be subject to a statutory hold period that expires four months and one day from issuance. As at December 31, 2021, no drawdowns under the facility had taken place.

The Company is not subject to any financial covenants for 2021. The Company is required to maintain the following financial covenants under the ABL facility for the year ended December 31, 2022 and onwards:

- a minimum debt service ratio of 1.25:1
- a minimum current ratio of 1.2: 1
- a maximum debt to equity ratio of 3:1

Debt service ratio is the ratio of (i) annual debt payments to (ii) earnings before tax, interest, depreciation and amortization. Current ratio is the ratio of (i) current assets to (ii) current liabilities. Debt to equity ratio is the ratio of (i) total debt to (ii) total shareholders' equity.

12. SHARE CAPITAL

AUTHORIZED

The Company is authorized to issue an unlimited number of voting common shares, without par value.

ISSUED AND OUTSTANDING COMMON SHARES

A reconciliation of the number and dollar amount of outstanding shares at December 31, 2021 and 2020 is shown below.

Common Shares	**Number**	**Amount**
Balance at December 31, 2019	33,537,017	$ 11,241,434
Private placements	20,647,840	3,489,059
Issuance costs	-	(214,584)
Balance at December 31, 2020	**54,184,857**	**14,515,909**
Shares issued for acquisitions	**21,264,093**	**5,273,496**
Shares issued for debt settlement	**2,184,663**	**541,796**
Shares issued for settlement of contingent consideration	**2,840,957**	**599,443**
Private placements	**8,895,027**	**2,048,259**
Warrants exercised	**2,859,665**	**1,739,309**
Warrants granted	**-**	**(556,675)**
Options exercised	**100,000**	**34,040**
Balance, December 31, 2021	**92,329,262**	**$ 24,195,577**

On June 8, 2020, the Company completed a 3:1 share consolidation. Prior to the consolidation, the Company had 133,471,292 common shares outstanding, and following the consolidation had 44,490,350 common shares outstanding. All current and comparative common share amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

On February 20, 2020, the Company closed a private placement financing by issuing 10,953,333 common shares at a price of $0.15 per share for gross proceeds of $1,643,000. The Company paid finders fees of $76,510 in cash and issued 510,066 finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.30 per warrant until February 20, 2022. The fair value of the warrants issued was estimated at $116,214 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.09; expected dividend yield of 0%; expected volatility of 203%; risk-free interest rate of 1.45% and an expected life of 2 years. A director of the Company subscribed for 3,700,000 common shares of this private placement for proceeds of $185,000.

On July 24, 2020, the Company closed a private placement financing by issuing 6,977,840 units at a price of $0.30 per unit for gross proceeds of $2,093,352. Each unit consists of one common share of the Company, and one-half of one common share purchase warrant, entitling the holder of a whole warrant to acquire one additional common share at an exercise price of $0.45 until July 24, 2022. The Company paid finders fees of $79,524 in cash and issued 265,078 finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.45 per warrant until July 24, 2022. The fair value of the 3,488,920 warrants and 265,078 finder warrants was estimated at $605,085 and $59,275, respectively, using the Black-Scholes option pricing model with the following assumptions: stock price of $0.275; expected dividend yield of 0%;

expected volatility of 205%; risk-free interest rate of 0.45% and an expected life of 2 years. Directors and officers of the Company subscribed for 3,736,667 common shares of this private placement for proceeds of $1,121,000.

If at any time after four months and one day from the closing of the first tranche, the Company's common shares trade at $0.90 per share or higher on the CSE for a period of 30 consecutive days, the Company will have the right (but not the obligation) to accelerate the expiry date of the warrants to the date that is 30 days after the Company issues a news release announcing the exercise of the acceleration right.

On October 14, 2020, the Company closed a private placement financing by issuing 2,716,667 units at a price of $0.30 per unit for gross proceeds of $815,000. Each unit consists of one common share of the Company, and one-half of one common share purchase warrant, entitling the holder of a whole warrant to acquire one additional common share at an exercise price of $0.45 until October 14, 2022. The Company paid finders fees of $57,050 in cash and issued 190,167 finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.45 per warrant until October 14, 2022. The fair value of the 1,358,334 warrants and 190,167 finder warrants was estimated at $237,216 and $44,503, respectively, using the Black-Scholes option pricing model with the following assumptions: stock price of $0.285; expected dividend yield of 0%; expected volatility of 207%; risk-free interest rate of 0.24% and an expected life of 2 years. A director of the Company subscribed for 2,666,667 common shares of this private placement for proceeds of $800,000.

If at any time after four months and one day from the closing of the second tranche, the Company's common shares trade at $0.90 per share or higher on the CSE for a period of 30 consecutive days, the Company will have the right (but not the obligation) to accelerate the expiry date of the warrants to the date that is 30 days after the Company issues a news release announcing the exercise of the acceleration right.

On May 12, 2021, EarthRenew acquired all of the issued and outstanding securities of Replenish which included the issuance of (Note 5) 21,264,093 common shares of EarthRenew at a price of $0.248 per EarthRenew common share. The acquisition has an effective date of May 1, 2021.

On May 21, 2021, the Company completed its shares for debt settlements with certain creditors of the Company's wholly-owned subsidiary, Replenish. The Company issued 2,184,663 common shares of the Company at a deemed price of $0.248 per share at a 25% discount to market in satisfaction of outstanding debt of $541,796.

On May 27, 2021, the Company closed a private placement financing by issuing 1,795,027 units at a price of $0.35 per unit for gross proceeds of $628,259. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, entitling the holder of a whole warrant to acquire one additional common share at an exercise price of $0.475 for a period of 36 months from issuance.

On October 12, 2021, the Company paid the first earn-out payments for the period ending June 30, 2021 with respect to the Replenish Acquisition in the aggregate amount of $999,070, of which $599,443 was settled by the issuance of 2,840,957 common shares of the Company, each with a quoted price of $0.211 at the 30 day weight average price of shares.

On October 20, 2021, the Company successfully closed the over-subscription of its non-brokered private placement financing of 7,100,000 units at a price of $0.20 per unit, which was equal to market price, for gross proceeds of $1,420,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share, at an exercise price of $0.20 per common share, for a period of six months from the date of issuance.

WARRANTS
A summary of the Company's common share purchase warrants for the years ended December 31, 2021 and 2020 is shown below.

	Number	Weighted Average Exercise Price	Value of Warrants
December 31, 2019	266,000	$ 0.30	$ 35,511
Granted	5,812,565	0.44	1,062,293
December 31, 2020	**6,078,565**	**0.43**	**1,097,804**
Granted	**7,997,513**	**0.23**	**556,675**
Exercised	**(2,859,665)**	**0.43**	**(510,159)**
Expired	**(177,668)**	**0.30**	**(23,719)**
December 31, 2021	**11,038,745**	**$ 0.29**	**$ 1,120,601**

The following summarizes the warrants outstanding as of December 31, 2021:

Outstanding	Exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected Volatility	Expected Life	Expected Dividend Yield	Risk free interest rate
213,733	213,733	20-Feb-20	20-Feb-22	$ 0.30	$ 48,697	203%	2.00	0%	1.45%
2,347,254	2,347,254	24-Jul-20	24-Jul-22	$ 0.45	$ 407,085	205%	2.00	0%	0.45%
265,078	265,078	24-Jul-20	24-Jul-22	$ 0.45	$ 59,275	205%	2.00	0%	0.45%
25,000	25,000	13-Oct-20	13-Oct-22	$ 0.45	$ 4,366	207%	2.00	0%	0.24%
190,167	190,167	13-Oct-20	13-Oct-22	$ 0.45	$ 44,503	207%	2.00	0%	0.24%
897,513	897,513	27-May-21	27-May-24	$ 0.475	$ 168,134	147%	3.00	0%	0.51%
7,100,000	7,100,000	20-Oct-21	20-Apr-22	$ 0.20	$ 388,541	148%	0.50	0%	0.71%
11,038,745	**11,038,745**				**$ 1,120,601**				

On June 8, 2020, the Company completed a 3:1 share consolidation. Prior to the consolidation, the Company had 2,328,200 warrants outstanding, and following the consolidation had 776,066 warrants outstanding. All current and comparative warrant amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

The weighted-average remaining contractual life of the warrants as of December 31, 2021 is 0.54 years (2020: 1.55 years).

The Company's outstanding warrants were valued at the fair value of the instruments issued, determined using the Black-Scholes option pricing model, using the above inputs.

SHARE-BASED PAYMENTS RESERVE
Stock options
The Company has an amended stock option compensation plan for executives and employees. In accordance with the terms of the plan, officers, non-independent directors, employees and consultants of the Company may be granted options to purchase common shares at exercise prices determined at the time of grant. The Company has adopted a Floating Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is equivalent to up to 10% of the issued and outstanding shares of the Company. Options under the Plan which have been exercised or which have expired shall be available for subsequent grants. The option vesting terms are determined at the discretion of the board of directors.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following summarizes the change in options during the years ended December 31, 2021 and 2020:

	Number	Weighted Average Exercise Price	Value of options
December 31, 2019	2,858,333	$ 0.51	$ 947,163
Granted	1,500,000	0.32	392,546
Expired	(593,333)	0.62	(251,733)
December 31, 2020	**3,765,000**	**0.41**	**1,087,976**
Granted	**3,890,000**	**0.25**	**840,732**
Exercised	**(100,000)**	**0.22**	**(12,040)**
Expired	**(923,325)**	**0.75**	**(479,210)**
Forfeited	**(780,017)**	**0.34**	**(212,954)**
December 31, 2021	**5,851,658**	**$ 0.26**	**$ 1,224,504**

On June 8, 2020, the Company completed a 3:1 share consolidation. Prior to the consolidation, the Company had 11,295,000 options outstanding, and following the consolidation had 3,765,000 options outstanding. All current and comparative option amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

The consolidated number of stock options outstanding as at December 31, 2021 is as follows:

Outstanding	Exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected Volatility	Expected Life	Expected Dividend Yield	Risk free interest rate
299,997	299,997	8-Jul-19	8-Jul-24	$0.30	$ 19,350	105%	5.00	0%	1.57%
466,665	466,665	25-Oct-19	25-Oct-24	$0.18	$ 56,760	110%	5.00	0%	1.57%
333,333	333,333	2-Apr-20	2-Apr-25	$0.30	$ 57,000	147%	5.00	0%	0.59%
901,663	901,663	5-Jun-20	5-Jun-25	$0.33	$ 259,410	135%	5.00	0%	0.52%
3,850,000	3,850,000	3-Aug-21	3-Aug-26	$0.25	$ 831,984	132%	5.00	0%	0.85%
5,851,658	**5,851,658**				**$1,224,504**				

On April 2, 2020, the Company granted 333,333 options to a consultant of the Company pursuant to the Company's stock option plan. 83,333 options vested on the date of grant and the remaining 250,000 options vested in equal increments of 83,333 every three months thereafter. Each option may be exercised to acquire one common share of the Company at an exercise price of $0.30 for a period of five years from the date of grant.

On June 5, 2020, the Company granted 1,166,167 stock options to certain directors, officers and consultants of the Company pursuant to the Company's stock option plan. The stock options vested immediately, and each option may be exercised to acquire one common share of the Company at a price of $0.33 for a period of five years from the date of grant.

On July 30, 2021, the Company granted 3,890,000 stock options to certain officers, directors, employees, and consultants of the Company pursuant to the Company's stock option plan. The stock options vested immediately and may be exercised at a price of $0.25 per option for a period of five years from the date of grant.

During the year ended December 31, 2021, 100,000 of the Company's stock options were exercised (2020: nil), generating proceeds of $22,000 (2020 - $nil). The weighted average remaining life of the outstanding options at December 31, 2021 is 4.09 years (2020: 3.04 years).

During the year ended December 31, 2021, 780,017 options were forfeited (2020 - nil) in accordance with the Plan and $212,954 was recorded against deficit (2020 – $nil), and 923,325 options expired (2020: 593,333) with $479,210 recorded against deficit (2020: $251,733).

The fair value of options issued is determined using the Black-Scholes option pricing model, using the above inputs. Volatility is estimated by using the historical volatility of the Company, adjusted for the Company's expectation of volatility going forward. The expected life in years represents the period of time that the options granted are expected to be outstanding. The risk-free interest rate is based on Bank of Canada government bonds with a remaining term equal to the expected life of the options.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgement.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company uses quoted market prices when available to estimate fair value. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Management's judgement as to the significance of a particular input may affect placement within the fair value hierarchy levels.

The fair value hierarchy is as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3 – Inputs that are not based on observable market data.

The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash, accounts receivable, accounts payable and accrued liabilities, and lease liabilities	Measured initially at fair value, then at amortized cost after initial recognition. Fair value approximates carrying value due to their short-term nature.
Long-term debt	Measured initially at fair value, then at amortized cost after initial recognition using the effective interest method. Fair value is determined using discounted cash flows at the current market interest rate. (Level 2)
Measured at Fair Value	
Contingent consideration	Measured at fair value through profit or loss.

MARKET RISK

The Company's activities expose it to a variety of market risks, including foreign currency risk, interest rate risk, credit risk, and liquidity risk.

Management has overall responsibility for the establishment of risk management strategies and objectives. EarthRenew's risk management policies are established to identify the risks faced, to set appropriate risk limits, and to monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and EarthRenew's activities.

Foreign currency risk

The Company funds the operations and maintains a head office in Canada. A portion of the Company's expenses are denominated in United States dollars. Consequently, the Company is exposed to fluctuations in the Canadian dollar relative to the United States dollar. The Company has not used derivative instruments to reduce its exposure to foreign exchange fluctuations.

The Company estimates that a 10% strengthening or weakening of the Canadian dollar against the United States dollar would result in a $3,300 decrease or $4,000 increase in net loss and comprehensive net loss.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Company's interest-bearing liabilities include long-term debt. Changes in the prime interest rate may cause fluctuations in cash flow and interest expense.

A fluctuation of 0.5% in the interest rate would result in a $47,000 increase or $46,000 decrease in interest expense.

Credit risk

EarthRenew is exposed to credit risk if a customer or counterparty fails to meet its contractual obligations. The maximum credit risk that the Company is exposed to is the carrying value of cash and accounts receivable.

The Company's accounts receivables of $3,029,633 at December 31, 2021 are non-interest bearing. The Company historically has not experienced any significant collection issues with customers as a significant portion of these receivables are with farmers who generally pay invoices when their crops are harvested in the fall. The Company continues to expect that its receivables are substantially collectible at December 31, 2021, and that the Company does not have a significant concentration of credit risk.

The Company maintains an allowance for doubtful accounts for the expected credit losses resulting from the inability of its customers to make required payments.

	December 31, 2021	December 31, 2020
Balance, beginning of year	**$ -**	$ -
Additions (doubtful accounts expense)	**(931,855)**	-
Balance, end of year	**$ (931,855)**	$ -

In determining the allowance, the Company considers factors such as the number of days the customer account is past due, the Company's past collection history and changes in business circumstances. Uncollectible accounts receivables are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The ECL impairment model measures the credit losses using the following three-stage approach based on the extent of credit deterioration of the financial assets since initial recognition:

- Stage 1 – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to twelve months ECL is recorded. The ECL is computed using a probability of default occurring over the next twelve months. The 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. For those instruments with a remaining maturity of less than twelve months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a significant increase in credit risk after initial recognition but is not considered to be in default, it is included in stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are in default are included in this stage. Similar to stage 2, the allowance for credit losses captures lifetime ECL.

The determination of whether the ECL on a financial instrument is calculated on a twelve-month period or lifetime basis is dependent on the stage the financial asset falls into at the reporting date. A financial instrument moves across stages based on an increase or decrease in its risk of default at the reporting date compared to its risk of default at initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the

Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis.

The measurement of ECL for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

The Company considers a financial instrument to be in default when: (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse like the existence of a general security agreement (if any is held); or (ii) the borrower is past due more than 90 days on any material credit obligation to the Company. The Company classifies a receivable as impaired when, in its opinion, there is a reasonable doubt as to the timely collectability, either in whole or in part, of principal or interest, or the loan is past due greater than 90 days.

The Company's receivables are summarized as follows:

	December 31, 2021	December 31, 2020
Trade receivables	**$ 3,961,488**	$ 58,389
Other receivables	**-**	54,803
Less: Allowance for expected credit loss	**(931,855)**	-
	$ 3,029,633	$ 113,192

The following is an aging of the Company's accounts receivable:

	December 31, 2021	December 31, 2020
Current (less than 30 days)	**$ 2,197,295**	$ 113,192
31 – 90 days	**472,202**	-
Over 90 days	**360,136**	-
Total receivables	**$ 3,029,633**	$ 113,192

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity is managed through cash, debt and equity management strategies, when available.

The Company is exposed to liquidity risk primarily through its accounts payable and accrued liabilities. All of the Company's accounts payable and accrued liabilities have a contractual maturity of less than one year. As at December 31, 2021, the Company has a working capital deficiency of $(2,392,577). The Company expects to complete future equity or other debt financings, as required and available. However, there is no assurance that funds will be available on terms acceptable to the Company at all.

The table below summarizes the Company's contractual obligations as at December 31, 2021:

	Recognized in Financial Statements	**Total**	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**
Accounts payable and accrued liabilities [1]	Yes-Liability	$ 5,192,162	$ 5,192,162	$ -	$ -	$ -
Long-term debt	Yes-Liability	3,151,849	588,651	1,330,063	1,233,135	-
Minimum lease payments	Yes-Liability	499,688	106,886	213,772	133,385	181,500
Interest payable [2]	No	294,909	63,574	144,052	81,937	5,346

1) Accounts payable and accrued liabilities exclude interest payable on long-term debt.
2) Excludes interest payable on lease liabilities

14. COMMITMENTS AND CONTINGENCIES

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any ending or

threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.
A former consultant of the Company has initiated a legal action seeking approximately $51,400 for fees owed and damages, plus interest. The Company is currently defending the matter, and accordingly no provision for loss has been recognized.

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately $1,856,333 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments upon termination under these contracts are approximately $958,667.

In addition to the leases accounted for in accordance with IFRS 16 (note 9), the Company has decided to avail itself of the IFRS exemption for short-term leases. Pursuant to a short-term lease, the Company has obligations of $91,200 due in 2021 (2020 - $302,441).

CONTINGENT CONSIDERATION

The Company has agreed to pay the security holders of Replenish ongoing earn-out payments totalling an aggregate of up to $7,000,000 based on qualifying gross annual revenue of Replenish multiplied by an earn-out factor for each of its 12-month fiscal periods ending June 30, 2025 payable by a combination of cash payments and the issuance of common shares of EarthRenew, provided the security holders of Replenish continue to be bound by consulting or employment agreements entered into with the Company.

The Company has also agreed to pay the security holders of Replenish supplemental earn-out payments of an aggregate amount of up to $2,000,000 based on certain sales parameters, which shall be payable by a combination of cash payments and the issuance of common shares of EarthRenew and evidenced by promissory notes that have been issued to the security holders of Replenish.

The contingent consideration, payable by the Company, was initially recognized at fair value and subsequently remeasured at each reporting date, with the changes to fair value recognized in the consolidated statement of net loss.

For the remeasurement of contingent consideration at each reporting date, management uses a time value of money calculation using certain key assumptions such as (i) qualifying gross annual revenue, (ii) discount rates and (iii) the assessment of certain sales parameters.

On October 12, 2021, the Company paid the first earn-out payments for the period ending June 30, 2021 with respect to the Replenish acquisition in the aggregate amount of $999,070, of which $599,443 was settled by the issuance of 2,840,957 common shares of the Company, each with a deemed issuance price of $0.211.

As at December 31, 2021, contingent consideration amounted to $5,053,394.

The following table summarizes the movement in the Company's contingent consideration:

		Amount
Balance at December 31, 2020 and 2019	**$**	**-**
Contingent arrangements entered into during the year (Note 5)		5,326,000
Changes in expected payment recorded through profit or loss		726,464
Settlements		(999,070)
Balance, December 31, 2021	**$**	**5,053,394**

15. SEGMENTED INFORMATION

The Company's operating segments are reported based on the nature of their products and services and management responsibility. Intersegment amounts are eliminated on consolidation.

The Company's operating segments are as follows:

- Low-cost sustainable power generation – EarthRenew provides low-cost sustainable power with a patented production process that converts livestock waste to nutrient rich, slow-release pelleted organic fertilizer. The Company converts natural gas to electricity from an industrial-sized gas turbine, which it intends to capitalize on through various revenue drivers, including selling surplus electricity to the electrical grid or to cryptocurrency miners, which can co-locate on site, and dry manure feedstock to produce high-value organic fertilizer.

- Production of compost-based fertilizers for sale to agricultural farmers - The Company services the organic farming and horticultural communities with the unique blend of rock phosphate, elemental sulphur, and compost-based fertilizers. The Company's products are certified for organic inputs by Canadian Organic Standards and the USDA National Organic Program. In addition to organic fertilizer supply, the Company has entered into strategic partnerships that provide the option for seamless product application. The Company also engages in the sale of agricultural machinery to farmers.

Results by operating segment for the year ended December 31 are shown below:

Year Ended December 31, 2021	**Fertilizer**	**Electricity**	**Corporate**	**Total**
REVENUES	**$ 11,200,578**	**$ 1,099,002**	**$ -**	**$ 12,299,580**
Cost of goods sold	**(8,364,802)**	**(634,282)**	**-**	**(8,999,084)**
	2,835,776	**464,720**	**-**	**3,300,496**
EXPENSES				
General and administrative	**1,254,390**	**318,982**	**2,751,771**	**4,325,143**
Bad debt expense	**651,946**	**-**	**-**	**651,946**
Share-based payments	**-**	**-**	**840,732**	**840,732**
Research and development	**129,343**	**-**	**25,762**	**155,105**
Depreciation and amortization	**920,939**	**288,727**	**-**	**1,209,666**
Financing	**85,198**	**29,983**	**-**	**115,181**
Foreign exchange loss	**20,068**	**(1,412)**	**757**	**19,413**
	3,061,884	**636,280**	**3,619,022**	**7,317,187**
Other income	**34,616**	**-**	**75,000**	**109,616**
Loss on change in value of contingent consideration	**-**	**-**	**(726,464)**	**(726,464)**
Loss before income taxes	**(191,492)**	**(171,560)**	**(4,270,486)**	**(4,633,539)**
Deferred income tax recovery	**(69,502)**	**-**	**-**	**(69,502)**
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ (260,994)**	**$ (171,560)**	**$ (4,270,486)**	**$ (4,703,041)**
TOTAL ASSETS	**20,610,493**	**4,139,406**	**2,042,093**	**26,791,992**
GOODWILL	**$ 1,722,983**	**$ -**	**$ -**	**$ 1,722,983**

Year Ended December 31, 2020	**Fertilizer**	**Electricity**	**Corporate**	**Total**
REVENUES	$ -	$ 506,859	$ -	$ 506,859
Cost of goods sold	-	(360,029)	-	(360,029)
	-	146,830	-	146,830
EXPENSES				
General and administrative	-	539,415	2,495,855	3,035,270
Share-based payments	-	-	392,546	392,546
Research and development	-	-	292,030	292,030
Depreciation and amortization	-	301,594	2	301,596
Financing	-	14,293	7,695	21,988
Foreign exchange loss	-	105	8,635	8,740
	-	855,407	3,196,763	4,052,170
Other income	-	62,937	10,251	73,188

Loss on disposal of assets		-	(45,324)	(45,324)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	-	(645,640)	(3,231,836)	(3,877,476)
TOTAL ASSETS	-	4,416,318	1,222,757	5,639,075
GOODWILL	-	-	-	-

16. GENERAL AND ADMINISTRATIVE

The following is a summary of the general and administrative expenses:

	Years Ended December 31,	
	2021	2020
Salaries and benefits	**$ 1,689,080**	$ 238,011
Professional fees	**479,962**	54,074
Consulting and management fees	**1,350,627**	1,888,658
Advertising and promotion	**342,392**	514,764
Shareholder communications and filing fees	**118,072**	132,542
Travel	**64,704**	5,395
Office expenses	**280,306**	201,826
	$ 4,325,143	$ 3,035,270

17. FINANCING

Financing costs are comprised of interest expense on long-term debt and the lease liabilities, and accretion of discount on the CEBA loan. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

The components of financing costs are summarized below.

	Years Ended December 31,	
	2021	2020
Interest on long-term debt	**$ 73,638**	$ -
Interest on lease liabilities	**39,364**	21,988
Accretion	**2,179**	-
	$ 115,181	$ 21,988

18. OTHER INCOME

The significant components recognized in other income are as follows:

	Years Ended December 31,	
	2021	2020
Government grants	**$ 66,723**	$ 29,650
Interest income	**1,111**	10,251
Rent income	**29,030**	-
Storage income	**5,976**	4,413
Digital currency mining income	**-**	9,946
Revaluation of digital currency	**-**	18,928
Other	**6,776**	-
	$ 109,616	$ 73,188

19. INCOME TAXES

The combined statutory income tax rate for 2021 is 23.0% (2020 – 26.5%).

The reconciliation of statutory and effective income tax expense is as follows:

	Years Ended December 31,	
	2021	2020
Loss before income taxes	**$ (4,633,539)**	$ (3,877,476)
Combined statutory tax rate	**23%**	26.5%
Expected income tax at statutory tax rate	**(1,066,000)**	(1,028,000)
Adjustments to expected income tax recovery:		
Share based compensation	**193,000**	104,000
Acquisition of Replenish	**(894,498)**	-
Change in unrecognised deferred tax assets	**1,088,000**	928,000
Change in tax rates	**677,000**	-
Other	**72,000**	(4,000)
Deferred income tax provision (recovery)	**$ 69,502**	$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The reconciliation of deferred income tax liabilities is as follows:

Recognized deferred tax assets	**2021**	**2020**
Non-capital loss carry-forwards	$ 289,000	$ -
Intangible assets and property, plant and equipment	(2,837,000)	-
Reserves	204,000	-
Other temporary differences	(2,000)	-
Deferred income tax liability	**$ (2,346,000)**	**$ -**

The temporary differences for which deferred income tax assets were not recognized are as follows:

	Years Ended December 31,	
	2021	2020
Non-capital losses carry-forwards	**$ 19,749,000**	$ 13,739,000
Contingent consideration	**5,053,000**	-
Share issue costs and other temporary differences	**188,000**	32,000
Mineral property costs	**1,635,000**	1,635,000
Property, plant and equipment	**402,000**	259,000
	$ 25,175,234	$ 15,665,000

At December 31, 2021, the Company has non-capital tax losses which expire between 2025 and 2041. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

20. LOSS PER SHARE

Net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for potentially dilutive

instruments. For the year ended December 31, 2021, there is no dilution in the net loss per share as all options and warrants are anti-dilutive.
The loss and average number of shares used to calculate loss per share are as follows:

	Years Ended December 31, 2021	2020
Weighted average shares outstanding (basic and diluted)	**74,599,990**	46,658,067
Net loss for the year	**$ (4,703,040)**	$ (3,877,476)
Net loss per share (basic and diluted)	**$ (0.06)**	$ (0.08)

21. RELATED PARTY TRANSACTIONS

In 2021, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company:

- Received $ 1,045,066 (2020 - $nil) in fertilizer sales revenue from a company controlled by an officer of the Company.
- An officer of the Company exercised 66,666 stock options, generating gross proceeds of $12,000 (2020: $nil).

Accounts payable and accrued liabilities due to officers of the Company for services provided amounted to $657,640 (2020 - $126,405). The amounts outstanding are unsecured and non-interest bearing.

The Company also granted 2,800,000 stock options (2020: 788,333) with an exercise price of $0.25 (2020: $0.33) expiring August 3, 2026 (2020: June 25, 2025) to directors and officers of the Company.

Refer to Note 12.

KEY MANAGEMENT PERSONNEL COMPENSATION
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

Compensation to key management personnel was comprised of:

	December 31, 2021	December 31, 2020
Management fees	**$ 734,792**	$ 368,668
Share-based payments	**605,080**	226,804
	$ 1,339,872	$ 595,472

22. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital are summarized below:

	Years Ended December 31, 2021	2020
Accounts receivable	**$ (275,828)**	$ 50,696
Prepaid expenses and deposits	**302,661**	(318,260)
Inventory	**440,224**	-
Digital assets	**-**	2,700
Accounts payable and accrued liabilities	**916,509**	(363,849)
	$ 1,383,566	$ (628,713)

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, 50,000 of the Company's stock options and 7,100,000 of the Company's warrants were exercised, generating gross proceeds of $1,432,500. On February 20, 2022, 213,729 of the Company's warrants expired unexercised.