EARTHRENEW INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

Independent auditor's report

To the Shareholders of EarthRenew Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EarthRenew Inc. and its subsidiaries (together, the Company) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of earnings (loss) and comprehensive income (loss) for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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.

Material uncertainty related to going concern

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

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill, property, plant and equipment (PPE) and intangible assets for the Fertilizer cash generating unit (CGU) *Refer to note 3 – Summary of significant accounting policies, estimates and judgments, note 9 – Property, plant and equipment, note 10 – Intangibles and note 11 – Goodwill to the consolidated financial statements.* As at December 31, 2022, the Company's Fertilizer CGU had $nil of goodwill, $6,993,007 of PPE and $9,758,167 of intangible assets. The carrying amounts of the Company's non-financial assets, primarily consisting of PPE, intangible assets and goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is tested annually for impairment or more frequently when there is an indication that goodwill may be impaired. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets and referred to as the CGU. An impairment loss is recognized when the carrying amount of any asset or its CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal (FVLCOD) and its value in use.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amount of goodwill, PPE and intangible assets related to the Fertilizer CGU, which included the following: – Tested the appropriateness of the method used, underlying data and mathematical accuracy of the discounted cash flow model. – Tested the reasonableness of key assumptions used by management, including forecasted revenues and operating costs, by comparing them to management's strategic plans approved by the Board of Directors, available third party published economic data and historical trends, as applicable. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the after-tax discount rate applied by management based on available data of comparable companies. – Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the key assumptions used by management.

Key audit matter	How our audit addressed the key audit matter
Impairment losses are allocated to first reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. For the year ended December 31, 2022, the Company identified the Fertilizer CGU carrying amount exceeded its recoverable amount based on a FVLCOD method using a discounted cash flow model. The key assumptions applied by management in the discounted cash flow model included forecasted revenues, operating costs and after-tax discount rate. The impairment test described above resulted in an impairment loss of $1,722,983 related to goodwill. No impairment loss was required for PPE and intangible assets. We considered this a key audit matter due to (i) the significance of the balances and (ii) the significant judgment applied by management in determining the recoverable amount of the Fertilizer CGU, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the key assumptions used by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on May 2, 2022.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
May 1, 2023

EARTHRENEW INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022 and 2021

	Note	31-Dec-2022	31-Dec-2021
ASSETS			
Current Assets			
Cash and cash equivalents		3,632,195	1,274,977
Trade and other receivables	6	4,056,657	3,029,633
Inventory	7	11,927,163	926,304
Other current assets	8	96,636	104,105
Total Current Assets		**19,712,651**	**5,335,019**
Property, plant, and equipment	9	9,303,801	8,790,922
Intangibles	10	9,758,167	10,943,067
Goodwill	11	-	1,722,983
Total Assets		**38,774,619**	**26,791,991**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	12	12,235,686	5,204,762
Current portion of long-term debt	13	521,455	588,651
Current portion of lease liabilities	14	129,885	65,434
Current portion of contingent consideration	15	3,364,020	1,868,749
Total Current Liabilities		**16,251,046**	**7,727,596**
Long-term debt	13	2,977,210	2,563,198
Lease liabilities	14	524,699	434,253
Contingent consideration	15	2,408,975	3,184,645
Deferred income tax liability	16	1,696,000	2,346,000
Total Liabilities		**23,857,930**	**16,255,692**
Shareholders' Equity			
Share capital	17	29,916,521	24,195,577
Warrants	18	5,697,901	1,120,601
Share-based payment reserve	19	1,721,860	1,224,504
Retained earnings (deficit)		(22,419,593)	(16,004,383)
Total Shareholders' Equity		**14,916,689**	**10,536,299**
Total Liabilities and Shareholders' Equity		**38,774,619**	**26,791,991**
Going concern	2		
Commitments and contingencies	28		

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

Approved by the Board of Directors of EarthRenew Inc.

(signed) "Catherine Stretch"
CATHERINE STRETCH, DIRECTOR

(signed) "Chris Best"
CHRIS BEST, DIRECTOR

EARTHRENEW INC.
CONSOLIDATED STATEMENT OF EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Note	31-Dec-2022	31-Dec-2021
Revenue	20	17,270,400	12,299,580
Direct costs	21	15,120,463	8,999,084
Gross Profit		**2,149,937**	**3,300,496**
Operating Expenses			
Depreciation and amortization	9,10	1,903,470	1,209,666
Selling, general and administration	22	3,719,651	5,018,428
		5,623,121	**6,228,094**
Earnings (Loss) from Operations		**(3,473,184)**	**(2,927,598)**
Non-Operating Expense (Income)			
Finance costs	23	170,648	115,181
Transaction costs	24	525,021	147,447
Research and development		282,456	155,105
(Gain) loss on disposal of assets		176,938	-
Bad debt expense (recovery)	6	(401,280)	651,946
Impairment	9,11	3,035,642	-
(Gain) loss on foreign exchange		44,999	19,414
Other (income) expense	25	(292,508)	(109,616)
(Gain) loss on contingent consideration	15	719,601	726,464
		4,261,517	**1,705,941**
Earnings (Loss) before Income Tax		**(7,734,701)**	**(4,633,539)**
Income Tax			
Current tax expense (recovery)	16	-	-
Deferred tax expense (recovery)	16	(650,000)	69,502
		(650,000)	**69,502**
Net Earnings (Loss)		**(7,084,701)**	**(4,703,041)**
Other comprehensive income (loss)		-	-
Comprehensive Income (Loss)		**(7,084,701)**	**(4,703,041)**
Net Earnings (Loss) per Common Share			
Basic		(0.06)	(0.06)
Diluted		(0.06)	(0.06)

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

EARTHRENEW INC.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Note	31-Dec-2022	31-Dec-2021
OPERATING ACTIVITIES			
Net income (loss)		(7,084,701)	(4,703,041)
Items not affecting cash:			
Depreciation and amortization	9,10	1,903,470	1,209,666
Impairment	9,11	3,035,642	-
Deferred tax expense (recovery)	16	(650,000)	69,502
Finance costs	23	170,648	115,181
Foreign exchange (gain) loss		44,999	19,414
(Gain) loss on dispositions		176,938	-
(Gain) loss on contingent consideration	15	719,601	726,464
Share-based compensation expense (recovery)	19	613,726	840,732
Bad debt expense (recovery)	6	(401,280)	651,946
Funds from (used in) operations		**(1,470,957)**	**(1,070,136)**
Changes in non-cash working capital	30	(4,808,008)	695,332
Cash from (used in) operations		**(6,278,965)**	**(374,804)**
INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired		-	(1,484,130)
Purchase of property, plant, and equipment		(2,421,852)	(1,965,848)
Disposal of property, plant, and equipment		104,787	-
Cash paid for contingent consideration	15	-	(399,628)
Cash from (used in) investing activities		**(2,317,065)**	**(3,849,606)**
FINANCING ACTIVITIES			
Proceeds from debt		889,472	3,010,478
Repayment of debt		(546,063)	(1,631,104)
Repayment of lease liabilities		(76,786)	(51,894)
Cash interest paid		(164,740)	(81,270)
Proceeds from share issuance, net of issue costs		9,418,865	2,048,259
Proceeds from stock options	19	12,500	22,000
Proceeds from warrants	18	1,420,000	1,229,150
Cash from (used in) financing activities		**10,953,248**	**4,545,619**
Increase (decrease) in cash and equivalents		**2,357,218**	**321,209**
Cash beginning of period		1,274,977	953,768
Cash end of period		**3,632,195**	**1,274,977**

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

EARTHRENEW INC.
CONSOLIDATED STATEMENT OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Note	31-Dec-2022	31-Dec-2021
Share Capital			
Balance, beginning of period	17	24,195,577	14,515,909
Issuance of share capital, net of issue costs	17	9,418,865	8,462,994
Warrants granted	17	(5,529,767)	(556,675)
Warrants exercised	17	1,808,541	1,739,309
Stock options exercised	17	23,305	34,040
Balance, end of period	17	**29,916,521**	**24,195,577**
Warrants			
Balance, beginning of period	18	1,120,601	1,097,804
Warrants granted	18	5,529,767	556,675
Warrants exercised	18	(388,541)	(510,159)
Warrants expired	18	(563,926)	(23,719)
Balance, end of period	18	**5,697,901**	**1,120,601**
Share-Based Payment Reserve			
Balance, beginning of period	19	1,224,504	1,087,976
Share-based payments expense (recovery)	19	613,726	840,732
Stock options exercised	19	(10,805)	(12,040)
Stock options expired	19	-	(479,210)
Stock options forfeited	19	(105,565)	(212,954)
Balance, end of period	19	**1,721,860**	**1,224,504**
Retained Earnings (Deficit)			
Balance, beginning of period		(16,004,383)	(12,017,225)
Net income (loss)		(7,084,701)	(4,703,041)
Warrants expired	18	563,926	23,719
Stock options expired/forfeited	19	105,565	692,164
Balance, end of period		**(22,419,593)**	**(16,004,383)**
Total Shareholders' Equity		**14,916,689**	**10,536,299**

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

1. Description of the Business

EarthRenew Inc. ("EarthRenew" or the "Company") is incorporated in the province of Ontario, Canada. The Company's common shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "ERTH". The head office is located at PO Box 1186 Station Main, Okotoks, Alberta, Canada, T1S 1B1.

The Company delivers leading regenerative fertilizer solutions to support a farm system that prioritizes healthy soils and grower profitability. By combining essential macro and micro nutrients with our proprietary manufacturing process, the Company has developed a sustainable alternative to synthetic fertilizers that enhances overall soil function and biology while providing valuable plant-available nutrients farmers rely upon for healthy crops.

The Company's revenue and profits are impacted by seasonality. Activity peaks in the second and fourth fiscal quarters where higher fertilizer sales and application occur during spring seeding and after crop harvesting in the fall.

2. Basis of Presentation

These consolidated financial statements (the "financial statements") have been prepared by management using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These financial statements were approved by the Company's Board of Directors on April 27, 2023.

These financial statements are recorded and presented in Canadian dollars, the Company's functional currency, and have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. All values are rounded to the nearest dollar, except where otherwise indicated.

The financial statements of the Company comprise the financial statements of the Company and the entities it controls. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with subsidiaries and has the ability to affect those returns through its power over the subsidiaries' relevant activities. Subsidiaries are consolidated from the date control is obtained and deconsolidated from the date control ceases. All intercompany transactions, balances, income, and expenses are eliminated on consolidation. The Company has applied uniform accounting policies throughout all consolidated entities and the reporting dates of the subsidiaries are all consistent with that of the Company.

Going Concern

These consolidated financial statements have been prepared in accordance with IFRS 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. Although the Company has raised funds through the issuance of equity securities and debt financing in the past, there can be no assurance the Company will be able to raise sufficient funds in the future if it is not able to generate positive cash flows. During the current year, the Company generated a net loss of $7,084,701 (2021 net loss – $4,703,041) and negative operating cash flows of $6,278,965 (2021 – negative operating cash flow of $374,804) and had a deficit of $22,419,593 (2021 – $16,004,383). While the Company has a positive working capital balance and anticipates generating positive cash flow from operations in the coming year from higher margins on product sales and reductions in selling, general and administrative expenses, there can be no assurance these initiatives will be successful and that the positive working capital balance will be sufficient to fund the Company's operations. Further, it is not possible to predict whether financing efforts will be successful if they are required to fund the Company's operations. These conditions indicate that material uncertainties exist that cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from operations or obtain additional financing to fund its operations. These consolidated financial statements do not include any adjustments to the carrying value of the assets and liabilities, the reported revenues and expenses or the balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Summary of Significant Accounting Policies, Estimates and Judgements

Significant Accounting Policies

Business Combinations

Business combinations, except for transactions between entities under common control, are accounted for using the acquisition method. Under this method, consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities assumed by the Company and equity interests issued in exchange for control of the acquired company. Acquisition-related costs and gain on bargain purchase are recognized in profit or loss as incurred. A gain on bargain purchase arises when the sum of the fair value of identifiable net assets exceeds the fair value of the consideration paid.

Functional and Presentation Currency

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Accordingly, transactions denominated in foreign currencies are translated to the Canadian dollar using the monthly average exchange rates. Monetary assets and liabilities denominated in foreign currencies are revalued to the Canadian dollar at the exchange rate in effect at the period end reporting date. Foreign exchange gain or losses on translation of monetary items are recognized in the statement of comprehensive income and loss. Non-monetary items originally transacted in a foreign currency are only translated into the Canadian dollar on the date of the original transaction and are not subsequently retranslated.

Financial Instruments – Classification and Measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract.

All financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are subsequently measured at amortized cost where a financial asset is held within a business model with the objective to collect contractual cash flows and the contractual cash flows arise on specified dates and are payments that consist solely of principal and interest on the principal amount outstanding. All other financial assets and equity investments are subsequently measured at fair value through profit or loss or other comprehensive income (FVTPL or FVTOCI).

Financial liabilities are classified as fair value through profit and loss when the financial liability is held for trading. Financial liabilities at fair value through profit and loss are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. All other financial liabilities are subsequently measured at amortized cost.

The Company recognizes and measures existing financial instruments as follows:

Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Cash deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Lease liabilities	Amortized cost
Contingent consideration	Fair value

Financial Instruments – Derecognition

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires or when it transfers the financial asset and substantially all risks and rewards associated with the asset to another party. On derecognition of a financial asset measured at amortized cost, the difference between the carrying amount and the sum of the consideration receivable is recognized in profit or loss.

The Company derecognizes financial liabilities when all obligations are discharged, cancelled, or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, is recognized in profit or loss.

Financial Instruments – Disclosures

IFRS sets out a fair value hierarchy based on three levels of inputs used in the measurement of fair value 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 measurement is based mainly on a market approach using observable inputs, such as prices; and Level 3 - Inputs that are not based on observable market data.

Cash and Cash Equivalents

Cash consists of cash on deposit and short-term, highly liquid investments with maturities less than 90 days at a large Canadian financial institution.

Inventory

Inventory is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs to prepare the inventory in saleable form and the estimated costs to sell. The cost of inventory comprises all costs of purchase, conversion and other costs incurred to bring inventory to its present location and condition. The Company's inventory is comprised of fertilizer raw materials and fertilizer finished goods. The cost of inventory is measured using the first-in-first-out method. Inventory is written down to net realizable value if the inventory is damaged, has become obsolete or if the selling price has declined below the cost to complete and the cost to sell the inventory.

Property, Plant and Equipment

Property, plant and equipment is recorded at historical cost less any accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and bringing it to the location and condition necessary for it to operate in the manner intended. The cost of replacing a component of equipment is recognized in the carrying amount of the asset if it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. When a replacement component is

recognized, the carrying amount of the corresponding item being replaced is derecognized from the financial statements. Repairs and maintenance expenditures that do not extend the useful life or improve the efficiency of the asset are expensed.

Property, plant and equipment is depreciated with the following estimated useful lives and depreciation methods:

Item	**Life**	**Depreciation Method**
Land	Indefinite	None
Buildings and Facilities	25 years	Straight-Line
Equipment and Vehicles	2.5 years; 10%; 20%	Straight-Line and declining balance

Useful lives and depreciation methods are reviewed on an annual basis. Equipment is derecognized when it is either disposed of or when it is determined that no further economic benefit is expected from the items' future use. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized as a separate line item in the non-operating expense (income) section of the consolidated statement of earnings (loss) and comprehensive earnings (loss).

Intangible Assets

Intangible assets with finite useful lives that are acquired in a business combination and recognized separately from goodwill are initially recognized at fair value on the acquisition date. Subsequent to initial recognition, intangible assets are recorded at cost, less accumulated amortization, and accumulated impairment losses. Intangible assets with finite lives are amortized over the periods during which they are expected to generate benefits.

Intangibles are amortized with the following estimated useful lives and amortization methods:

Item	**Life**	**Amortization Method**
Customer Relationships	10 years	Straight-Line
Brand Name	10 years	Straight-Line
Assembled Workforce	5 years	Straight-Line

Goodwill

The excess cost of assets acquired over the fair value of identifiable assets acquired and liabilities assumed in a business combination is recorded as goodwill. Goodwill is measured at historical cost less any impairment losses. Goodwill is not amortized, but is tested for impairment annually, or earlier if there is an indication of impairment. Impairment losses are not reversed.

Impairment

The carrying amounts of the Company's non-financial assets, primarily consisting of property, plant and equipment, intangible assets and goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors such as expected future prices, costs, and other market factors, are monitored to determine if indications of impairment exist. If indicators of impairment are identified, the asset is tested for impairment. Goodwill is tested annually for impairment or more frequently when there is an indication that goodwill may be impaired.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets and referred to as the cash generating unit (CGU). For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of

CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. In determining the recoverable amount under a fair value less costs of disposal (FVLCOD) method, the Company considers estimated future cash flows discounted using a post-tax discount rate that reflects risks specific to the asset or through recent market transaction data, if available. Value in use is determined on the basis of profit or loss projections over the asset or CGUs useful life using management's forecast tools for the first five years and an estimate over the subsequent years based on long-term market trends for the asset or CGU involved. The calculation takes into account net cash flows to be generated by the asset or CGU throughout its useful life based on the growth and profitability profile of each asset or CGU.

An impairment loss is recognized when the carrying amount of any asset or its CGU exceeds its estimated recoverable amount. Impairment losses are allocated to first reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. Impairment is determined for goodwill by assessing the recoverable amount of each group of CGUs to which goodwill relates. The groups of CGUs represent the lowest level within the Company at which goodwill is monitored for internal management purposes and are not larger than an operating segment. When the recoverable amount of a group of CGUs is less than its carrying amount, an impairment loss is recognized.

Leases

IFRS 16 requires the Company to make judgments that affect the valuation of lease liabilities and the corresponding right-of-use (ROU) assets, including whether a contract falls within the scope of IFRS 16, the term of the lease, and determining the interest rate used for discounting future cash flows.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease under IFRS 16. An agreement which results in the Company having the right to control the use of an asset over a period of time with set payments is considered a lease. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases with a term of 12 months or less or leases of low-value assets. These lease payments are recognized as an expense over the lease term. The Company has lease agreements for items including real estate and equipment that qualify as right-of-use assets and lease liabilities under IFRS 16.

Right-of-use assets are capitalized at the date the lease commences and are comprised of the initial lease liability less any lease incentives received. The Company generally depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The lease term includes the non-cancellable period of the lease agreement and periods covered by any option to renew, where it is reasonably certain that the option will be exercised. Right-of-use assets are assessed for impairment when such indicators exist. Right-of-use assets are included in property, plant & equipment on the consolidated statement of financial position and disclosed in Note 9.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date. Lease payments over the estimated lease term include: fixed lease payments, less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated and considering the terms of the Company's other long-term debt.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest on the lease liability (using the effective interest rate method). The liability is remeasured to reflect any reassessment or modification, or if there are changes in fixed payments. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when: the lease term changes or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; the lease payments change due to a change in an index, rate, or expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Share Capital

Common shares are presented in share capital within shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from share capital, net of any tax effects.

Warrants

From time to time, the Company may issue share purchase warrants ("warrants"). Warrants provide the holder of the warrant with the right, but not the obligation, to purchase a common share of the Company at an agreed upon contractual price within a specific period time as defined in the warrant agreement.

When issued, warrants are measured at fair value using the Black-Scholes option pricing model and classified as equity on the statement of financial position. If exercised, the original fair value is transferred from warrants to share capital on the statement of financial position. If expired, the original fair value is transferred from warrants to retained earnings (deficit) on the statement of financial position.

When warrants are issued as part of a common share issuance the value assigned to the warrants reduces the value of assigned the common share issuance. When warrants are issued for services, they are accounted for as share-based payments expense on the statement of earnings (loss) and comprehensive income (loss) with a corresponding entry to warrants on the statement of financial position.

Revenue

Revenue is recognized by the Company when there is persuasive evidence of an arrangement and the customer has agreed on the price, payment terms, extent of the Company's performance obligations, and there is reasonable assurance of collecting the total consideration agreed upon in the contract. Standard terms and conditions in the industry and in the Company's contracts dictate that the Company has performed all of its obligations under a contract for the sale of fertilizer once the product has left the location controlled by the Company. Where the Company assumes the risks and obligations of providing transportation or spreading services related to fertilizer delivery or application, it recognizes revenue when the product reaches the agreed upon destination or when the product is applied to a customer's field. Deposits received upon initiation of contracts for fertilizer purchases where revenue recognition criteria have not been met are recorded as sales prepayments. Revenue is typically recognized within one year of the initial prepayment.

Revenue from the generation of electricity is recognized on a monthly basis, and based on the actual volume of electricity generated during the period.

Share-Based Payments

The Company offers a stock option plan for executives, employees and contractors. 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 recorded to retained earnings (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 amounts to expense for services received.

Government Grants

Government grants are recognized as other income on the statement of earnings (loss) and comprehensive earnings (loss) when the related expense or capital is incurred for which the grant is intended to compensate. Grants are recognized when there is reasonable assurance the Company will meet any conditions attached to the grant.

Income Tax

The Company uses the deferred tax method of accounting for income taxes.

Current tax assets and liabilities are claims or obligations for the current and prior periods to be recovered from (or paid to) taxation authorities that are outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit which differs from accounting net profit or loss.

Deferred tax is recognized based on temporary differences between the tax basis of an asset or liability and its carrying amount on the statement of financial position. Any changes in the net amount of deferred tax assets and liabilities are included in profit or loss based on enacted or substantively enacted tax rates and laws. Deferred tax assets are recognized only when it is likely they will be realized.

Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other operating segments. All operating segment results are reviewed regularly by the Company's Executive Team, who are the Company's Chief operating decision maker (CODM) to make decisions about resources to be allocated

to the operating segment and performance assessment. Operating segment results that are reported to CODM include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis. The Company's operating segments are defined in Note 29.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Significant Estimates and Judgments

The timely preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported assets, liabilities, revenues, expenses, gains, losses, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are reviewed by management on an ongoing basis, with any adjustments recognized in the period in which the estimate is revised.

The following are critical judgments and estimates in applying accounting policies that management has made in the process of applying IFRS and that have the most significant effect on the amounts recognized in the financial statements.

Impairment

The review and assessment of non-financial assets for impairment requires the application of judgment and the use of external and internal sources of information. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount. The determination of recoverable amounts involves estimation uncertainty about key assumptions including forecasted revenues, operating costs and after-tax discount rate.

Inventory

Subsequent to initial measurement, estimates of net realizable value are made based on current observable market prices for the sale of inventory less estimated costs to prepare and sell.

Depreciation Methods and Useful Life

Subsequent to initial measurement, the carrying value of equipment is impacted by the determination of an appropriate depreciation method and the estimation of the useful life of equipment. Management reviews the depreciation method and salvage value for each category of equipment on an annual basis to ensure that selections are consistent with the characteristics of the underlying assets. In making this judgment, management considers historical experience with similar assets as well as new technology and market trends.

Expected Credit Losses

The Company estimates the amount of expected credit losses for trade receivables with no financing component using a provision matrix. The provision matrix is based on historical loss experience and is adjusted for forward looking estimates based on current and future economic conditions using internal and externally sourced data. Judgement is required when applying this information to the expected credit loss and any adjustments as a result of this new information.

The Company uses the simplified approach of the expected credit loss model for lease and trade receivables with no significant financing component which requires measuring the loss allowance at an amount equal to the lifetime expected credit losses at initial recognition and throughout its life.

Contingent Consideration

The fair value of contingent consideration is based on achieving forecasted gross revenues and gross margin percentage targets and is discounted using the Company's estimated weighted average cost of capital. These estimates are reviewed by Management each reporting period with any changes recorded as a non-cash change to the carrying value of the contingent consideration liability with a corresponding impact to the gain or loss on change in fair value of contingent consideration on the statement of earnings (loss).

Share-Based Payments

Share-based payments are subject to fair value estimates using the Black-Scholes model. This model uses significant assumptions such as volatility, forfeiture rates, and expected life.

Leases

Lease liabilities are subject to fair value estimates using the present value of future cash flow of the lease. The present value calculation uses assumptions based on the Corporation's incremental borrowing rate when the rate implicit in the lease is not readily available, whether any option lease buyouts will be exercised, and whether leases will be extended.

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.

4. Prior Period Presentation

The Company has adjusted the presentation of the consolidated statements of earnings (loss) and comprehensive income (loss) to better reflect the nature of the business and operations in line with industry peers and to provide readers a clear delineation of operating and non-operating activities. No changes have been made to net earnings (loss) before income tax (recovery) or to net earnings (loss) or comprehensive income (loss). The changes include grouping various selling, general and administrative costs into a single line and disclosing further detail in note 22, and presenting certain income and expenses, as seen on the face of the statement of earnings (loss), as non-operating items given their nature, to assist the reader in understanding the financial results of the Company prior to the impacts of capital structure and non-recurring items.

5. Business 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.

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 totaling 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.

On a monthly basis, each Vendor is restricted to disposing the 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 100% wholly-owned subsidiary of EarthRenew. This acquisition was assessed as a business combination in accordance with IFRS 3 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.
The purchase price has been allocated as follows based on the assessment of fair value of the assets and liabilities acquired in the transactions:

Purchase price	
Cash	1,502,490
EarthRenew 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**
Purchase Price Allocation	
Cash	18,360
Accounts receivable and other current assets	2,651,492
Inventory	1,366,528
Property, plant, and equipment	3,068,577
Intangibles	11,733,000
Goodwill	1,722,983
Accounts payable and accrued liabilities	(3,744,531)
Shareholder loans	(2,807,333)
Notes payable	(503,785)
Debt	(1,775,882)
Lease liabilities	(158,258)
Deferred tax liability	(2,276,498)
Net assets acquired	**9,294,653**

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

The results of Replenish are included in the Fertilizer segment, see Note 29.

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

	As Stated	Amounts Prior to Acquisition	Year Ended 31-Dec-2021
Revenue	12,299,580	2,938,611	15,238,191
Net earnings (loss)	(4,703,041)	(673,732)	(5,376,773)

6. Accounts Receivable

	31-Dec-2022	31-Dec-2021
Trade receivables	4,029,723	3,961,488
Other receivables	209,198	-
Expected credit losses	(182,264)	(931,855)
	4,056,657	**3,029,633**
Aged trade receivables		
Current (<30 days)	1,557,835	2,197,295
31-60 days	538,763	350,802
61-90 days	1,072,195	283,069
>90 days	860,930	1,130,322
	4,029,723	**3,961,488**

	31-Dec-2022	31-Dec-2021
Expected credit losses		
Balance, beginning of period	931,855	-
Additions during the period	-	931,855
Balance written-off	(296,780)	-
Balances recovered	(452,811)	-
Balance, end of period	**182,264**	**931,855**

7. Inventory

	31-Dec-2022	31-Dec-2021
Raw materials	3,966,595	461,632
Work in progress	-	26,725
Finished goods	7,960,568	437,947
	11,927,163	**926,304**

For the 12 months ended December 31, 2022, $11,373,486 ($6,189,055 for period ending December 31, 2021) of inventory was recognized in cost of sales.

The Company reviews the carrying value of inventory to net realizable value and any impairment is recorded in cost of sales. There was $nil impairment in 2022 (2021 – $nil).

8. Other Current Assets

	31-Dec-2022	31-Dec-2021
Prepaids	44,355	7,500
Deposits	52,281	96,605
	96,636	**104,105**

9. Property, Plant and Equipment

Cost	Land	Plant & Buildings	Equipment & Auto	ROU Assets Equip & Land	Total
December 31, 2020	**-**	**3,605,805**	**500,000**	**750,859**	**4,856,664**
Acquisitions	1,250,825	660,650	1,140,500	16,602	3,068,577
Additions	-	85,790	1,880,057	-	1,965,847
December 31, 2021	**1,250,825**	**4,352,245**	**3,520,557**	**767,461**	**9,891,088**
Additions	-	1,719,866	701,985	230,224	2,652,075
Transfers	-	3,425	15,331	155,000	173,756
Disposals	-	-	(336,282)	(16,602)	(352,884)
December 31, 2022	**1,250,825**	**6,075,536**	**3,901,591**	**1,136,083**	**12,364,035**

Accumulated Depreciation and Impairment	Land	Plant & Buildings	Equipment & Auto	ROU Assets Equip & Land	Total
December 31, 2020	**-**	**144,232**	**150,000**	**386,200**	**680,432**
Depreciation	-	161,781	196,855	61,098	419,734
December 31, 2021	**-**	**306,013**	**346,855**	**447,298**	**1,100,166**
Depreciation	-	175,156	472,578	70,836	718,570
Impairment	-	1,253,408	59,251	-	1,312,659
Transfers	-	598	(21,152)	20,554	-
Disposals	-	-	(54,559)	(16,602)	(71,161)
December 31, 2022	**-**	**1,735,175**	**802,973**	**522,086**	**3,060,234**

Net Book Value	Land	Plant & Buildings	Equipment & Auto	ROU Assets Equip & Land	Total
December 31, 2020	-	3,461,573	350,000	364,659	4,176,232
December 31, 2021	1,250,825	4,046,232	3,173,702	320,163	8,790,922
December 31, 2022	**1,250,825**	**4,340,361**	**3,098,618**	**613,997**	**9,303,801**

The Company acquired certain assets in the Replenish business acquisition in May 2021. See note 5 for a summary of the assets acquired in the transaction.

At December 31, 2022, there were $1,351,612 (2021 – $87,277) classified as assets under construction under the Plant and Building heading related to fertilizer manufacturing facilities.
The Company reviews the carrying value of its assets at each reporting period for indicators of impairment. At December 31, 2022, the Company identified impairment indicators related to rising market interest rates and negative earnings and cash flows. As such, management performed an impairment analysis on its two CGUs – the Fertilizer and Power CGUs.

For the year ended December 31, 2022, the Company completed its impairment test on the recoverable value of the Fertilizer CGU and identified that the Fertilizer CGU's carrying amount exceeded its recoverable amount. As a result, an impairment of $1,722,983 was recorded as goodwill impairment within the Fertilizer CGU as discussed in note 11.

For the year ended December 31, 2022, the Company identified that the Power CGU's carrying amount exceeded its recoverable amount based on FVLCOD method using available market information consisting of a counter-signed letter of intent to acquire the assets. As a result, an impairment of $1,312,659 was recorded as a reduction in the Power CGU property, plant and equipment for the year ended December 31, 2022 (2021 – $nil).

10. Intangibles

Cost	Customer Relationships	Brand Name	Assembled Workforce	Total
December 31, 2020	**-**	**-**	**-**	**-**
Acquisitions	6,225,000	5,392,000	116,000	11,733,000
December 31, 2021	**6,225,000**	**5,392,000**	**116,000**	**11,733,000**
Additions	-	-	-	-
Disposals	-	-	-	-
December 31, 2022	**6,225,000**	**5,392,000**	**116,000**	**11,733,000**

Accumulated Amortization	Customer Relationships	Brand Name	Assembled Workforce	Total
December 31, 2020	**-**	**-**	**-**	**-**
Amortization	415,000	359,467	15,466	789,933
December 31, 2021	**415,000**	**359,467**	**15,466**	**789,933**
Amortization	622,500	539,200	23,200	1,184,900
December 31, 2022	**1,037,500**	**898,667**	**38,666**	**1,974,833**

Net Book Value	Customer Relationships	Brand Name	Assembled Workforce	Total
December 31, 2020	-	-	-	-
December 31, 2021	5,810,000	5,032,533	100,534	10,943,067
December 31, 2022	**5,187,500**	**4,493,333**	**77,334**	**9,758,167**

The Company acquired certain assets in the Replenish business acquisition in May 2021. See note 5 for a summary of the intangible assets acquired in the transaction.

Consistent with property, plant and equipment, as at December 31, 2022, the Company identified impairment indicators. As such, the Company performed an impairment analysis on the Fertilizer CGUs to which the intangible assets relate. Key assumptions and sensitivities are consistent with those disclosed in note 11. The results of the tests indicated that the cash flows supported the carrying values of the intangible assets.

11. Goodwill

	31-Dec-2022	31-Dec-2021
Opening balance	1,722,983	-
Acquired on business acquisition – see note 5	-	1,722,983
Impairment	(1,722,983)	-
Ending balance	**-**	**1,722,983**

The Company acquired certain assets in the Replenish business acquisition in May 2021. See note 5 for a summary of the goodwill recognized in the transaction.

Consistent with property, plant and equipment, as at December 31, 2022, the Company identified impairment indicators related to rising market interest rates and negative earnings and cash flows. For the year ended December 31, 2022, the Company identified the Fertilizer CGU carrying amount exceeded its recoverable amount based on a FVLCOD method using a discounted cash flow model. As a result, goodwill impairment of $1,722,983 was recorded as a reduction in the carrying value of the Fertilizer CGU (2021 – $nil).

The recoverable amount for the Fertilizer CGU was based on a FVLCOD method by estimating the future cash flows that would be generated and utilizing the following key assumptions:

- An after-tax discount rate of 17.6% per annum, which considered the industry average cost of capital, past experience and asset specific risk
- Forecasted revenues, projected having assumed increases in activity and cash flow in-line with expected overall industry growth rates
- Forecasted operating costs based on historical results
- A 1% increase in the after-tax discount rate would decrease the recoverable amount of the CGU and create further impairment of $1,128,310
- A 1% decrease in the after-tax discount rate would increase the recoverable amount of the CGU and reduce impairment by $1,289,269.
- A 1% change in the forecasted revenues would increase/decrease the recoverable amount of the CGU and increase/decrease impairment by $468,602
- A 1% change in the forecasted operating costs would increase/decrease the recoverable amount of the GU and increase/decrease impairment by $1,520,533

12. Accounts Payable

	31-Dec-2022	31-Dec-2021
Trade payables	10,896,243	3,964,718
Sales prepayments	707,823	12,600
Other payables and accrued liabilities	631,620	1,227,444
	12,235,686	**5,204,762**

13. Debt

	Interest Rate	Maturity	31-Dec-2022	31-Dec-2021
CEBA loan[1]	5.000%	Dec 2023	70,000	66,592
AFSC loan[2]	2.875%	Jun 2024	377,645	500,000
AFSC loan[2]	3.644%	Dec 2026	1,846,074	1,260,478
AFSC loan[2]	3.520%	Dec 2026	1,201,696	1,250,000
Equipment loan[3]	4.100%	Feb 2023	3,250	74,779
Balance			**3,498,665**	**3,151,849**
Current portion			(521,455)	(588,651)
Long term portion			**2,977,210**	**2,563,198**

[1]On May 1, 2021, EarthRenew acquired all 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 Statement of Earnings (Loss) and Comprehensive Income (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.

[2]Effective July 21, 2021, Replenish, a wholly owned subsidiary of EarthRenew, secured new senior secured asset-based credit facilities totaling $3.2 million (the "ABL Facility") from Agriculture Financial Services Corporation ("AFSC"). On February 28, 2022, the ABL Facility was increased to $3.9 million.

The ABL Facility includes interest-only payments until June 1, 2022. Amounts drawn on the main facility bear interest at a rate of 3.52% and 3.644% respectively, 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. The ABL facility is secured by all of the EarthRenew's assets.

[3]Equipment loans secured by the specific equipment in place.

	31-Dec-2022	31-Dec-2021
Beginning balance	3,151,849	-
Acquired in business acquisition (see note 5)	-	1,775,882
Proceeds from debt	889,472	3,010,478
Accretion expense	3,407	2,179
Discount on debt	-	(5,586)
Debt principal repayments	(546,063)	(1,631,104)
Ending balance	**3,498,665**	**3,151,849**

Scheduled Principal Repayments

For the 12 months ending	
December 2023	521,455
December 2024	658,808
December 2025	485,640
December 2026	503,248
December 2027	1,329,514
Thereafter	-
	3,498,665

Debt Covenants

The Company is required to be in compliance with the following debt covenants related to the AFSC loans:

Debt service coverage ratio[1]	Not less than 1.25:1
Current ratio[2]	Not less than 1.2:1
Debt to equity ratio[3]	Not greater than 3:1

[1]Defined as the ratio of earnings before interest, tax, depreciation, and amortization to annual debt payments
[2]Defined as the ratio of current assets to current liabilities
[3]Defined as the ratio of total debt to total shareholders' equity

As of December 31, 2022, the Company had received a waiver from AFSC for not complying with the debt service coverage ratio covenant. The Company was in compliance with the current ratio and debt to equity ratio covenants at December 31, 2022. As at and for the period ending December 31, 2021, under the terms of the AFSC loan agreements, the Company was not required to calculate any financial covenants.

14. Lease Liabilities

The Company has leases in place for land and office premises as well as equipment leases.

	31-Dec-2022	31-Dec-2021
Opening balance	499,687	393,323
Acquired in business combination (see note 5)	-	158,258
Additions and other adjustments	231,683	-
Lease principal repayments	(76,786)	(51,894)
Balance	**654,584**	**499,687**
Current portion	(129,885)	(65,434)
Long-term portion	**524,699**	**434,253**

Scheduled Principal Repayments

For the 12 months ending	
December 2023	129,885
December 2024	141,964
December 2025	125,828
December 2026	93,385
December 2027	55,359
Thereafter	108,163
	654,584

15. Contingent Consideration

	31-Dec-2022	31-Dec-2021
Opening balance	5,053,394	-
Origination of contingent consideration (see note 5)	-	5,326,000
Changes to fair value	719,601	726,464
Settlements	-	(999,070)
Balance	**5,772,995**	**5,053,394**
Current portion	(3,364,020)	(1,868,749)
Long-term	**2,408,975**	**3,184,645**

As part of the acquisition of Replenish in May 2021, the Company agreed to pay the security holders of Replenish ongoing earn-out payments totaling 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 earn-out payments are only paid if certain qualifying gross annual revenue and gross margin percentages are achieved. If they are not achieved, no earn-out payments are made. The periods subject to earn-outs end on June 30, 2025, with no further earn-out possible after that time.

As part of the acquisition of Replenish in May 2021, the Company 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 similar qualifying gross annual revenue and gross margin percentages as the earn-out calculations noted above, and payable by a combination of cash payments and the issuance of common shares of EarthRenew based on the 30-day volume weighted average price. The supplemental earn-out only applied to the period ending June 30, 2021, and no other periods before or after.

The contingent consideration is initially recognized at fair value and subsequently remeasured at each reporting date, with the changes to fair value recognized in the statement of net earnings (loss).

For the remeasurement of contingent consideration at each reporting date, management uses a time value of money calculation using certain key assumptions including:

- An after-tax discount rate of 17.6% per annum, which considered the industry average cost of capital, past experience, and asset specific risk
- Forecasted revenues, projected having assumed increases in activity and cash flow in-line with expected overall industry growth rates
- A 1% increase/decrease in the after-tax discount rate would decrease/increase the fair value of the contingent consideration and result in a decrease/increase of $56,666 and $57,823 to the unrealized loss before income tax

- A 1% change in the forecasted revenues would increase/decrease the fair value of the contingent consideration, and result in a change to unrealized loss before income tax of $9,445

On October 12, 2021, the Company paid the supplemental earn-out payment for the period ending June 30, 2021, with respect to the Replenish acquisition in the aggregate amount of $999,070, of which $599,442 was settled by the issuance of 2,840,957 common shares of the Company, each with a deemed issuance price of $0.211, and the remainder as cash consideration. This concluded the supplement earn-out calculation, which did not continue past June 30, 2021. See note 26 for associated related party disclosures.

For the year ending December 31, 2022, no earn-payments were made or accrued as Replenish did not achieve the qualifying gross annual revenue and gross margin percentage thresholds.

16. Income Tax

Reconciliation of Effective Tax Rate

	31-Dec-2022	31-Dec-2021
Earnings (loss) before tax	(7,734,701)	(4,633,539)
Combined federal/provincial statutory tax rate	23%	23%
	(1,778,000)	**(1,066,000)**
Share-based payments	141,000	193,000
Business acquisition	-	(894,498)
Change in unrecognized deferred tax assets	935,000	1,088,000
Change in tax rate	-	677,000
Prior year true-ups	68,000	72,000
Other	(16,000)	-
	(650,000)	**69,502**
Current income tax expense (recovery)	-	-
Deferred income tax expense (recovery)	(650,000)	69,502
Income tax expense (recovery)	**(650,000)**	**69,502**

Numbers in the above table may not recalculate due to rounding

The Company's effective tax rate was impacted by a number of reconciling items, with the largest being due to the impact of the change in the unrecognized portion of the deferred tax asset as well as the reconciliation to the prior year provision.

Net Deferred Tax Liability Continuity

The following tables summarize the movements of the deferred income tax assets and liabilities during the year:

	31-Dec-2022	31-Dec-2021
Opening balance	(2,346,000)	-
Origination and reversal of temporary differences	325,000	(2,635,000)
Non-capital loss carry-forwards	325,000	289,000
Ending balance	**(1,696,000)**	**(2,346,000)**
Deferred income tax liability	(1,696,000)	(2,346,000)
Deferred income tax asset	-	-
Net Deferred Tax Liability	**(1,696,000)**	**(2,346,000)**
Property, plant and equipment	(129,000)	(320,000)
Intangibles	(2,225,000)	(2,517,000)
Expected credit losses	42,000	204,000
Loss carry-forwards	614,000	289,000
Other items	2,000	(2,000)
Net Deferred Tax Liability	**(1,696,000)**	**(2,346,000)**

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

	31-Dec-2022	31-Dec-2021
Non-capital loss carry-forwards	21,439,000	19,749,000
Contingent consideration	5,774,000	5,053,000
Mineral property costs	-	1,635,000
Property, plant and equipment	2,105,000	402,000
Intangibles	166,000	-
Share issue costs	1,030,000	145,000
Leases	30,000	43,000
	30,544,000	**27,027,000**

The non-capital losses of $24,109,000 (2021 – $21,005,000) expire between 2025 and 2042 (2021 – 2025 and 2041). The remaining temporary differences do not expire under current legislation.

17. Shareholders' Equity

Authorized Share Capital
Unlimited Voting Common Shares

Unlimited Voting Common Shares	Number	Amount
Balance 31-Dec-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 to settle contingent consideration	2,840,957	599,443
Private placement	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 31-Dec-2021	**92,329,262**	**24,195,577**
Common share offering	41,804,500	10,451,125
Share issue costs	-	(1,182,260)
Private placement	600,000	150,000
Warrants exercised	7,100,000	1,808,541
Warrants granted	-	(5,529,767)
Options exercised	50,000	23,305
Balance 31-Dec-2022	**141,883,762**	**29,916,521**

On May 12, 2021, EarthRenew acquired all the issued and outstanding securities of Replenish Nutrients Ltd. which included the issuance of 21,264,093 common shares of EarthRenew at a deemed price of $0.248 per EarthRenew common share.

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 deemed issuance 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.

On June 21, 2022, the Company successfully closed the over-subscribed prospectus share offering of 41,804,500 units at a price of $0.25 per unit, for gross proceeds of $10,451,125. Each unit consists of one common share of the Company and one common share warrant. Each warrant entitles the holder to acquire one common share, at an

exercise price of $0.32 per common share, for a period of 48 months from the date of issuance. The Company incurred share issue costs of $1,182,260 for the prospectus offering and issued 2,508,270 broker warrants. Each broker warrant is exercisable into one common share and one warrant in the Company at a price of $0.25 until June 21, 2024.

On September 30, 2022, the Company closed a private placement financing by issuing 600,000 units at a price of $0.25, for gross proceeds of $150,000. Each unit consists of one common share of the Company and one common share warrant. Each warrant entitles the holder to acquire one common share, at an exercise price of $0.32 per common share, for a period of 48 months from the date of issuance.

Weighted-Average Shares Outstanding

	31-Dec-2022	31-Dec-2021
Net earnings (loss)	(7,084,701)	(4,703,041)
Basic	120,094,804	74,599,990
Diluted	120,094,804	74,599,990
Net earnings (loss) per share – Basic	(0.06)	(0.06)
Net earnings (loss) per share - Diluted	(0.06)	(0.06)

18. Warrants

	Number	Weighted Average Price	Value
Balance 31-Dec-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)
Balance 31-Dec-2021	**11,038,745**	**0.29**	**1,120,601**
Granted	44,912,770	0.32	5,529,767
Exercised	(7,100,000)	0.20	(388,541)
Expired	(3,041,230)	0.44	(563,925)
Balance 31-Dec-2022	**45,810,285**	**0.32**	**5,697,901**

Outstanding	Exercisable	Grant Date	Expiry Date	Exercise Price	Fair Value	Volatility	Life	Dividend Yield	Risk Free Rate
897,515	897,515	27-May-21	27-May-24	0.48	168,134	147%	3	0%	0.51%
41,804,500	41,804,500	21-Jun-22	21-Jun-26	0.32	5,245,603	100%	4	0%	3.40%
2,508,270	2,508,270	21-Jun-22	21-Jun-24	0.25	241,144	100%	2	0%	3.40%
600,000	600,000	30-Sep-22	30-Sep-26	0.32	43,020	100%	4	0%	3.30%
45,810,285	**45,810,285**			**0.32**	**5,697,901**	**101%**	**4**	**0%**	**3.34%**

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 financial statements have been retroactively adjusted to reflect the share consolidation.

The Company's outstanding warrants are valued at the fair value of the instruments issued, determined using the Black-Scholes option pricing model, using the above inputs, and classified as equity instruments on the statement of financial position.

19. Stock Options

The Company has an amended stock option compensation plan for directors, executives, employees, and contractors. In accordance with the terms of the plan, officers, non-independent directors, employees and contractors 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 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.

	Number	Weighted Average Price	Value
Balance 31-Dec-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)
Balance 31-Dec-2021	**5,851,658**	**0.26**	**1,224,504**
Granted	5,570,000	0.16	613,726
Exercised	(50,000)	0.25	(10,805)
Expired	-	-	-
Forfeited	(549,998)	0.28	(105,565)
Balance 31-Dec-2022	**10,821,660**	**0.21**	**1,721,860**

Outstanding	Exercisable	Grant Date	Expiry Date	Exercise Price	Fair Value	Volatility	Life	Dividend Yield	Risk Free Rate
233,331	233,331	8-Jul-19	8-Jul-24	0.30	18,060	105%	5	0%	1.57%
366,665	366,665	25-Oct-19	25-Oct-24	0.18	52,030	110%	5	0%	1.57%
333,333	333,333	2-Apr-20	2-Apr-25	0.30	57,000	147%	5	0%	0.59%
668,331	668,331	5-Jun-20	5-Jun-25	0.33	192,279	135%	5	0%	0.52%
3,650,000	3,650,000	3-Aug-21	3-Aug-26	0.25	788,765	132%	5	0%	0.85%
5,570,000	4,895,000	13-Sep-22	13-Sep-27	0.16	675,084	100%	5	0%	3.30%
10,821,660	**10,146,660**			**0.21**	**1,783,217**	**115%**	**5**	**0%**	**2.12%**

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.

20. Revenue

	31-Dec-2022	31-Dec-2021
Product revenue	15,644,597	10,559,101
Service revenue	1,450,315	641,477
Power revenue	175,488	1,099,002
	17,270,400	**12,299,580**

21. Direct Costs

	31-Dec-2022	31-Dec-2021
Product costs	10,798,159	6,137,158
Transportation costs	1,808,026	1,488,816
Storage, processing and spreading costs	1,029,634	493,586
Personnel and contractor costs	820,459	54,728
Repairs and maintenance	204,700	78,907
Plant operations	272,099	708,749
Equipment rentals	187,386	37,140
	15,120,463	**8,999,084**

22. Selling, General and Administration

	31-Dec-2022	31-Dec-2021
Personnel and contractor costs	2,000,294	1,753,784
Professional, consulting, and regulatory	537,254	1,801,214
Share-based compensation	613,726	840,732
Office and administrative	476,537	280,306
Marketing, advertising, promotions	91,840	342,392
	3,719,651	**5,018,428**

23. Finance Costs

	31-Dec-2022	31-Dec-2021
Interest on long-term debt	123,644	73,638
Interest on lease liabilities	43,597	39,364
Accretion expense	3,407	2,179
	170,648	**115,181**

24. Transaction Costs

	31-Dec-2022	31-Dec-2021
Replenish acquisition	-	147,447
Transaction costs[1]	525,021	-
	525,021	**147,447**

[1]One-time costs indirectly associated with the equity raise in June 2022.

25. Other Income and Expense

	31-Dec-2022	31-Dec-2021
Government funding	191,142	66,723
Insurance proceeds	36,870	-
Interest income	14,496	1,111
Other	50,000	41,782
	292,508	**109,616**

26. Related Party Transactions

	31-Dec-2022	31-Dec-2021
Office rent and expenses[1]	31,300	31,300
Fertilizer revenue[1]	707,753	1,045,066
Fertilizer operation expenses[1]	420,371	626,340
Salaries, wages and benefits[2]	1,401,773	734,792
Share-based payment expense[2]	563,580	605,080
Contingent consideration[3]	-	999,070
	3,124,777	**4,041,648**

[1] The Company incurs expenses from and generates revenues with certain executive officers of the Company related to office rent and expenses and fertilizer revenues and operating expenses; these transactions are in the ordinary course of business and have been assessed to be at market rates for these services.

[2]Relates to the salaries, wages benefits, and share-based payment expense of stock options of named executive officers and board of directors of the Company.

[3]Cash paid and shares issued to executive officers of the Company pursuant to contingent consideration earn-out calculations referred to in note 15.

At December 31, 2022, there was $692,762 (2021 – $nil) of accounts receivable and $229,775 (2021 – $657,640) of accounts payable outstanding related to the above transactions.

27. Capital Management

	31-Dec-2022		31-Dec-2021	
Current assets	19,712,651		5,335,019	
Current liabilities	(16,251,046)		(7,727,596)	
Net working capital (deficit)	**3,461,605**		**(2,392,577)**	
Debt	3,498,665		3,151,849	
Lease liabilities	654,584		499,687	
Contingent consideration	5,772,995		5,053,394	
	9,926,244	**40%**	**8,704,930**	**45%**
Shareholders' equity	**14,916,689**	**60%**	**10,536,299**	**55%**
	24,842,933	**100%**	**19,241,229**	**100%**

The Company's objectives when managing capital are to: (i) ensure the Company has the financial capacity to execute on its strategy of growing regenerative agriculture products and practices; (ii) maintain financial flexibility in order to meet financial commitments and maintain the confidence of shareholders, creditors, and the market; and (iii) optimize the use of capital and capital structure to provide a best-in-class risk-adjusted return on investment to shareholders. Management considers the Company's working capital, defined as current assets less current liabilities, as well as the ratio of debt to equity, as the key components of capital to be managed.

The Company has established criteria to manage the capital structure based on current economic conditions, risk characteristics of underlying assets and planned capital and liquidity requirements. Total capitalization is maintained or adjusted by drawing on existing credit facilities, issuing new debt or equity securities or through the disposal of underperforming assets when required.

28. Financial Instruments and Risk Management

Litigation

From time to time the Company is subject to claims and lawsuits arising in the ordinary course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings will not have a material adverse effect on the Company's financial position.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company's cash needs are met with cash generated by operations, strategic sale of non-core assets, and financing provided by debt and lease instruments. The Company manages liquidity risk through management of its capital structure, and monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants to ensure there are available cash resources to meet the Company's liquidity needs. The Company's cash and cash equivalents, cash flow from operating activities, and strategic sale of non-core assets, are expected to be greater than anticipated capital expenditures and the contractual maturities of the Company's financial liabilities.

The following are undiscounted contractual maturities of financial liabilities, including estimated interest:

	Total	< 1 Year	1-3 Years	4-5 Years	After 5 Years
Accounts payable and accrued liabilities	**12,235,686**	12,235,686	-	-	-
Contingent consideration[1]	**5,772,995**	3,364,020	2,408,975	-	-
Long-term debt	**3,836,177**	636,395	1,310,874	1,888,908	-
Lease liabilities	**812,962**	185,494	336,063	175,905	115,500
Total	**22,657,820**	**16,421,595**	**4,055,912**	**2,064,813**	**115,500**

[1]The Company has the ability to settle up to 60% of the contingent consideration in common shares of the Company, which would reduce the cash obligation of this liability.

Credit Risk

The Company is primarily exposed to credit risk from customers. The maximum exposure to credit risk is equal to the carrying value of the accounts receivable. The Company's trade receivables are with customers in the agriculture and energy industries and are subject to credit risk. In order to reduce credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. Additionally, the Company continuously reviews individual customer trade receivables taking into account payment history and aging of the trade receivables to monitor collectability. In accordance with IFRS 9, Financial Instruments, the Company reviews impairment of its trade and other receivables at each reporting period and its allowance for expected future credit losses. An expected credit loss account is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. Monitoring procedures are in place to ensure that follow up action is taken to recover overdue amounts. The Company reviews receivables on a regular basis to ensure that an adequate loss allowance is made. Provisions recorded by the Company are reviewed regularly to determine if any balances should be written off. The expected credit loss account could materially change as a result of fluctuations in the financial position of the Company's customers. The Company completes a detailed review of its historical credit losses as part of its impairment assessment. For the year ended December 31, 2022, the Company had one customer that comprised 11% of total revenue (2021 – no customers).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and foreign exchange rates.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. For the year ended December 31, 2022, if the interest rate increased/decreased by 1% with all other variables held constant, the Company's net income would have increased/decreased by $35,792. The Company has minimal exposure to interest rate risk as existing debt and leases have fixed interest rates and would only be subject to interest rate fluctuations when refinancing is required.

Foreign Exchange Rate Risk

The Company is exposed to foreign exchange rate risk primarily through the purchase of certain US dollar denominated expenses, where the Company typically converts Canadian dollars to US dollars at a spot rate. At this time, there are typically minimal US dollar requirements in the day-to-day business.

Fair Value

The fair value of the contingent consideration was recorded based on an estimated fair value discount rate, and estimated forecasted revenues, and is considered a Level 3 fair value instrument as the measurement is based on unobservable information.

The fair values of cash and cash equivalents, trade and other receivables, cash deposits, accounts payable and accrued liabilities, long-term debt and lease liabilities approximate their fair value as at December 31, 2022.

29. Segmented Reporting

During 2022, the Company revised its reportable segments in accordance with IFRS 8 – Operating Segments, whereby the Company's historical Corporate segment has been combined into the Fertilizer segment as one reportable segment. The Company believes the Fertilizer and Power segments provide the most relevant information for users to evaluate the nature and financial effects of the business activities and the economic environment in which the Company operates. Under these new segments the Company tracks revenues, expenses, and profitability metrics for which the Company's chief operating decision maker evaluates performance and allocates resources. Prior period balances conform to current period presentation.

12 Months December 31, 2022	**Fertilizer**	**Power**	**Elim**	**Total**
Revenue	17,094,912	175,488	-	17,270,400
Direct costs	14,928,946	191,517	-	15,120,463
Gross profit	**2,165,966**	**(16,029)**	**-**	**2,149,937**
Depreciation	1,639,420	264,050	-	1,903,470
Selling, general and admin	2,880,397	839,254	-	3,719,651
Operating expense	**4,519,817**	**1,103,304**	**-**	**5,623,121**
Operating income (loss)	**(2,353,851)**	**(1,119,333)**	**-**	**(3,473,184)**
Non-operating (income) expense	2,974,563	1,286,954	-	4,261,517
Income (loss) before tax	**(5,328,414)**	**(2,406,287)**	**-**	**(7,734,701)**

12 Months December 31, 2021	**Fertilizer**	**Power**	**Elim**	**Total**
Revenue	11,200,578	1,099,002	-	12,299,580
Direct costs	8,364,802	634,282	-	8,999,084
Gross profit	**2,835,776**	**464,720**	**-**	**3,300,496**
Depreciation	920,939	288,727	-	1,209,666
Selling, general and admin	4,699,446	318,982	-	5,018,428
Operating expense	**5,620,385**	**607,709**	**-**	**6,228,094**
Operating income (loss)	**(2,784,609)**	**(142,989)**	**-**	**(2,927,598)**
Non-operating (income) expense	1,677,370	28,571	-	1,705,941
Income (loss) before tax	**(4,461,979)**	**(171,560)**	**-**	**(4,633,539)**

Assets and Liabilities

December 31, 2022	**Fertilizer**	**Power**	**Elim**	**Total**
Current assets	33,555,431	116,363	(13,959,143)	19,712,651
Property, plant, and equipment	6,993,007	2,310,794	-	9,303,801
Intangibles	9,758,167	-	-	9,758,167
Investments	9,294,653	-	(9,294,653)	-
Total assets	**59,601,258**	**2,427,157**	**(23,253,796)**	**38,774,619**
Current liabilities	26,907,865	3,302,324	(13,959,143)	16,251,046
Long-term debt and leases	3,206,324	295,585	-	3,501,909
Contingent consideration	2,408,975	-	-	2,408,975
Deferred tax liability	1,696,000	-	-	1,696,000
Total liabilities	**34,219,164**	**3,597,909**	**(13,959,143)**	**23,857,930**
Total shareholders' equity	**25,382,094**	**(1,170,752)**	**(9,294,653)**	**14,916,689**
Total liabilities and shareholders' equity	**59,601,258**	**2,427,157**	**(23,253,796)**	**38,774,619**

December 31, 2021	**Fertilizer**	**Power**	**Elim**	**Total**
Current assets	7,295,126	251,902	(2,212,009)	5,335,019
Property, plant, and equipment	4,903,420	3,887,502	-	8,790,922
Intangibles	10,943,067	-	-	10,943,067
Investments	9,294,653	-	(9,294,653)	-
Goodwill	1,722,983	-	-	1,722,983
Total assets	**34,159,249**	**4,139,404**	**(11,506,662)**	**26,791,991**
Current liabilities	7,366,529	2,573,076	(2,212,009)	7,727,596
Long-term debt and leases	2,666,657	330,794	-	2,997,451
Contingent consideration	3,184,645	-	-	3,184,645
Deferred tax liability	2,346,000	-	-	2,346,000
Total liabilities	**15,563,831**	**2,903,870**	**(2,212,009)**	**16,255,692**
Total shareholders' equity	**18,595,418**	**1,235,534**	**(9,294,653)**	**10,536,299**
Total liabilities and shareholders' equity	**34,159,249**	**4,139,404**	**(11,506,662)**	**26,791,991**

30. Change in Non-Cash Working Capital

The following is a summary of the net change in non-cash working capital for the years ended December 31, 2022 and 2021:

	31-Dec-2022	31-Dec-2021
Change in non-cash working capital		
Accounts receivable	(625,744)	(927,774)
Other current assets	7,469	302,661
Inventory	(11,000,859)	440,224
Accounts payable	6,811,126	880,221
Total changes related to operating activities	**(4,808,008)**	**695,332**