

EARTHRENEW INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the 3 and 6 Months Ended June 30, 2023 and 2022
(UNAUDITED)

REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the consolidated financial statements, the financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated financial statements of EarthRenew Inc. have been prepared by management and are the responsibility of management.

EarthRenew Inc's. independent auditor has not performed a review of the accompanying unaudited consolidated financial statements in accordance with the standards established by CPA Canada for a review of financial statements by an entity's auditor.

EARTHRENEW INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2023 and DECEMBER 31, 2022

| | Note | 30-Jun-2023 | 31-Dec-2022 |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 1,983,349 | 3,632,195 |
| Trade and other receivables | 4 | 4,272,553 | 4,056,657 |
| Inventory | 5 | 7,772,098 | 11,927,163 |
| Other current assets | 6 | 422,754 | 96,636 |
| Total Current Assets | | 14,450,754 | 19,712,651 |
| Property, plant, and equipment | 7 | 10,144,488 | 9,303,801 |
| Intangibles | 8 | 9,165,717 | 9,758,167 |
| Total Assets | | 33,760,959 | 38,774,619 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 9 | 8,012,433 | 12,235,686 |
| Current portion of long-term debt | 10 | 908,020 | 521,455 |
| Current portion of lease liabilities | 11 | 216,920 | 129,885 |
| Current portion of contingent consideration | 12 | - | 3,364,020 |
| Total Current Liabilities | | 9,137,373 | 16,251,046 |
| Long-term debt | 10 | 2,554,639 | 2,977,210 |
| Lease liabilities | 11 | 744,969 | 524,699 |
| Contingent consideration | 12 | 5,711,741 | 2,408,975 |
| Deferred income tax liability | 13 | 1,503,000 | 1,696,000 |
| Total Liabilities | | 19,651,722 | 23,857,930 |
| Shareholders' Equity | | | |
| Share capital | 14 | 29,916,521 | 29,916,521 |
| Warrants | 15 | 5,697,901 | 5,697,901 |
| Share-based payment reserve | 16 | 1,085,425 | 1,721,860 |
| Retained earnings (deficit) | | (22,590,610) | (22,419,593) |
| Total Shareholders' Equity | | 14,109,237 | 14,916,689 |
| Total Liabilities and Shareholders' Equity | | 33,760,959 | 38,774,619 |
| Going concern | 2 | | |
| Commitments and contingencies | 24 | | |

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) (UNAUDITED)
FOR THE 3 AND 6 MONTHS ENDED JUNE 30, 2023 AND 2022

| | Note | 3 Months | | 6 Months | |
|---|------|------------------|--------------------|--------------------|--------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Revenue | 17 | 4,295,830 | 7,034,394 | 6,785,559 | 10,098,108 |
| Direct costs | 18 | 3,702,662 | 6,060,077 | 6,053,599 | 9,370,807 |
| Gross Profit | | 593,168 | 974,317 | 731,960 | 727,301 |
| Operating Expenses | | | | | |
| Depreciation and amortization | 7,8 | 535,948 | 453,859 | 1,052,939 | 911,923 |
| Selling, general and administration | 19 | 610,389 | 1,052,814 | 1,237,528 | 1,987,211 |
| | | 1,146,337 | 1,506,673 | 2,290,467 | 2,899,134 |
| Earnings (Loss) from Operations | | (553,169) | (532,356) | (1,558,507) | (2,171,833) |
| Non-Operating Expense (Income) | | | | | |
| Finance costs | 20 | 58,514 | 59,609 | 103,142 | 102,013 |
| Research and development | | 42,415 | 115,317 | 57,617 | 132,513 |
| (Gain) loss on disposal of assets | | - | 6,236 | 6,426 | 6,236 |
| Bad debt expense (recovery) | 4 | (141,994) | (29,761) | (141,994) | (157,219) |
| (Gain) loss on foreign exchange | | (26) | 16,238 | 1,726 | 14,704 |
| Other (income) expense | 21 | (180,462) | (215,510) | (503,266) | (231,264) |
| (Gain) loss on contingent consideration | 12 | 283,235 | 765,928 | (61,254) | 851,189 |
| | | 61,682 | 718,057 | (537,603) | 718,172 |
| Earnings (Loss) before Income Tax | | (614,851) | (1,250,413) | (1,020,904) | (2,890,005) |
| Income Tax | | | | | |
| Current tax expense (recovery) | 13 | - | - | - | - |
| Deferred tax expense (recovery) | 13 | (51,000) | 36,300 | (193,000) | (239,700) |
| | | (51,000) | 36,300 | (193,000) | (239,700) |
| Net Earnings (Loss) | | (563,851) | (1,286,713) | (827,904) | (2,650,305) |
| Other comprehensive income (loss) | | - | - | - | - |
| Comprehensive Income (Loss) | | (563,851) | (1,286,713) | (827,904) | (2,650,305) |
| Net Earnings (Loss) per Common Share | | | | | |
| Basic | 14 | (0.00) | (0.01) | (0.01) | (0.03) |
| Diluted | 14 | (0.00) | (0.01) | (0.01) | (0.03) |

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

EARTHRENEW INC.
CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)
FOR THE 3 AND 6 MONTHS ENDED JUNE 30, 2023 AND 2022

| | Note | 3 Months | | 6 Months | |
|--|------|------------------|--------------------|--------------------|--------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| OPERATING ACTIVITIES | | | | | |
| Net income (loss) | | (563,851) | (1,286,713) | (827,904) | (2,650,305) |
| Items not affecting cash: | | | | | |
| Depreciation and amortization | 7,8 | 535,948 | 453,859 | 1,052,939 | 911,923 |
| Deferred tax expense (recovery) | 13 | (51,000) | 36,300 | (193,000) | (239,700) |
| Finance costs | 20 | 58,514 | 59,609 | 103,142 | 102,013 |
| Foreign exchange (gain) loss | | (26) | 16,238 | 1,726 | 14,704 |
| (Gain) loss on dispositions | | - | 6,236 | 6,426 | 6,236 |
| (Gain) loss on contingent consideration | 12 | 283,235 | 765,928 | (61,254) | 851,189 |
| Share-based compensation expense (recovery) | 16 | 10,226 | - | 20,452 | - |
| Bad debt expense (recovery) | 4 | (141,994) | (29,761) | (141,994) | (157,219) |
| Funds from (used in) operations | | 131,052 | 21,696 | (39,467) | (1,161,159) |
| Changes in non-cash working capital | 26 | 43,242 | (2,994,013) | (469,934) | (3,490,539) |
| Cash from (used in) operations | | 174,294 | (2,972,317) | (509,401) | (4,651,698) |
| INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant, and equipment | | (462,971) | (34,698) | (1,375,071) | (441,523) |
| Disposal of property, plant, and equipment | | - | 57,095 | 468,710 | 57,095 |
| Cash from (used in) investing activities | | (462,971) | 22,397 | (906,361) | (384,428) |
| FINANCING ACTIVITIES | | | | | |
| Proceeds from debt | | - | - | - | 889,472 |
| Repayment of debt | | (16,374) | (92,481) | (36,006) | (175,828) |
| Repayment of lease liabilities | | (50,269) | (14,887) | (93,936) | (30,810) |
| Cash interest paid | | (58,514) | (43,631) | (103,142) | (79,451) |
| Proceeds from share issuance | | - | 9,268,865 | - | 9,268,865 |
| Proceeds from stock options | | - | - | - | 12,500 |
| Proceeds from warrants | | - | 700,000 | - | 1,420,000 |
| Cash from (used in) financing activities | | (125,157) | 9,817,866 | (233,084) | 11,304,748 |
| Increase (decrease) in cash and equivalents | | (413,834) | 6,867,946 | (1,648,846) | 6,268,622 |
| Cash beginning of period | | 2,397,183 | 675,653 | 3,632,195 | 1,274,977 |
| Cash end of period | | 1,983,349 | 7,543,599 | 1,983,349 | 7,543,599 |

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

EARTHRENEW INC.
CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)
FOR THE 6 AND 12 MONTHS ENDED JUNE 30, 2023 AND DECEMBER 31, 2022

| | Note | 30-Jun-2023 | 31-Dec-2022 |
|---|------|---------------------|---------------------|
| Share Capital | | | |
| Balance, beginning of period | 14 | 29,916,521 | 24,195,577 |
| Issuance of share capital, net of issue costs | 14 | - | 9,418,865 |
| Warrants granted | 14 | - | (5,529,767) |
| Warrants exercised | 14 | - | 1,808,541 |
| Stock options exercised | 14 | - | 23,305 |
| Balance, end of period | 14 | 29,916,521 | 29,916,521 |
| Warrants | | | |
| Balance, beginning of period | 15 | 5,697,901 | 1,120,601 |
| Warrants granted | 15 | - | 5,529,767 |
| Warrants exercised | 15 | - | (388,541) |
| Warrants expired | 15 | - | (563,926) |
| Balance, end of period | 15 | 5,697,901 | 5,697,901 |
| Share-Based Payment Reserve | | | |
| Balance, beginning of period | 16 | 1,721,860 | 1,224,504 |
| Share-based payments expense (recovery) | 16 | 20,452 | 613,726 |
| Stock options exercised | 16 | - | (10,805) |
| Stock options expired | 16 | - | - |
| Stock options forfeited | 16 | (656,887) | (105,565) |
| Balance, end of period | 16 | 1,085,425 | 1,721,860 |
| Retained Earnings (Deficit) | | | |
| Balance, beginning of period | | (22,419,593) | (16,004,383) |
| Net income (loss) | | (827,904) | (7,084,701) |
| Warrants expired | 15 | - | 563,926 |
| Stock options expired/forfeited | 16 | 656,887 | 105,565 |
| Balance, end of period | | (22,590,610) | (22,419,593) |
| Total Shareholders' Equity | | 14,109,237 | 14,916,689 |

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 August 24, 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. For the 3 and 6 months ended June 30, 2023, the Company generated a net loss of \$563,851 and \$827,904, respectively (2022 net loss of \$1,286,713 and \$2,650,305, respectively) and positive operating cash flows of \$174,443 and negative \$509,252, respectively (2022 – negative operating cash flow of \$2,972,317 and \$4,651,698, respectively) and had a deficit at June 30, 2023, of \$22,590,610 (December 31, 2022 – \$22,419,593). 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

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 loss 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

EARTHRENEW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE 3 AND 6 MONTHS ENDED JUNE 30, 2023 AND 2022 (EXCEPT WHERE OTHERWISE NOTED)

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 |

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 (FVL COD) 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 7.

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.

4. Accounts Receivable

| | 30-Jun-2023 | 31-Dec-2022 |
|-------------------------------|--------------------|--------------------|
| Trade receivables | 4,235,288 | 4,029,723 |
| Other receivables | 219,529 | 209,198 |
| Expected credit losses | (182,264) | (182,264) |
| | 4,272,553 | 4,056,657 |
| Aged trade receivables | | |
| Current (<30 days) | 39,733 | 1,557,835 |
| 31-60 days | 466,411 | 538,763 |
| 61-90 days | 148,977 | 1,072,195 |
| >90 days | 3,580,167 | 860,930 |
| | 4,235,288 | 4,029,723 |
| | 30-Jun-2023 | 31-Dec-2022 |
| Expected credit losses | | |
| Balance, beginning of period | 182,264 | 931,855 |
| Additions during the period | - | - |
| Balance written-off | - | (296,780) |
| Balances recovered | - | (452,811) |
| Balance, end of period | 182,264 | 182,264 |

5. Inventory

| | 30-Jun-2023 | 31-Dec-2022 |
|----------------|------------------|-------------------|
| Raw materials | 2,611,828 | 3,966,595 |
| Finished goods | 5,160,270 | 7,960,568 |
| | 7,772,098 | 11,927,163 |

For the 3 and 6 months ended June 30, 2023, \$3,249,701 and \$5,236,693 (\$4,707,703 and \$6,885,372 for the 3 and 6 months ended June 30, 2022) 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 2023 (2022 – \$nil).

6. Other Current Assets

| | 30-Jun-2023 | 31-Dec-2022 |
|----------|----------------|---------------|
| Prepays | 370,799 | 44,355 |
| Deposits | 51,955 | 52,281 |
| | 422,754 | 96,636 |

7. Property, Plant and Equipment

| Cost | Land | Plant & Buildings | Equipment & Auto | ROU Assets Equip & Land | Total |
|--------------------------|------------------|-------------------|------------------|-------------------------|-------------------|
| 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 |
| Additions | - | 1,301,183 | 73,887 | 24,642 | 1,399,712 |
| Transfers | - | (386,600) | 10,000 | 376,600 | - |
| Disposals | - | - | (118,097) | - | (118,097) |
| June 30, 2023 | 1,250,825 | 6,990,119 | 3,867,381 | 1,537,325 | 13,645,650 |

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| Accumulated Depreciation and Impairment | Land | Plant & Buildings | Equipment & Auto | ROU Assets Equip & Land | Total |
|--|-------------|------------------------------|-----------------------------|------------------------------------|------------------|
| 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 |
| Depreciation | - | 94,980 | 259,418 | 106,091 | 460,489 |
| Transfers | - | - | - | - | - |
| Disposals | - | - | (19,561) | - | (19,561) |
| June 30, 2023 | - | 1,830,155 | 1,042,830 | 628,177 | 3,501,162 |

| Net Book Value | Land | Plant & Buildings | Equipment & Auto | ROU Assets Equip & Land | Total |
|-----------------------|------------------|------------------------------|-----------------------------|------------------------------------|-------------------|
| 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 |
| June 30, 2023 | 1,250,825 | 5,159,964 | 2,824,551 | 909,148 | 10,144,488 |

At June 30, 2023, there were \$2,211,479 (December 31, 2022 – \$1,351,612) 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 June 30, 2023, there were no indicators of impairment since the last impairment test was performed as of December 31, 2022.

8. Intangibles

| Cost | Customer Relationships | Brand Name | Assembled Workforce | Total |
|--------------------------|-------------------------------|-------------------|----------------------------|-------------------|
| 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 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| June 30, 2023 | 6,225,000 | 5,392,000 | 116,000 | 11,733,000 |

| Accumulated Amortization | Customer Relationships | Brand Name | Assembled Workforce | Total |
|---------------------------------|-------------------------------|-------------------|----------------------------|------------------|
| 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 |
| Amortization | 311,250 | 269,600 | 11,600 | 592,450 |
| June 30, 2023 | 1,348,750 | 1,168,267 | 50,266 | 2,567,283 |

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| Net Book Value | Customer Relationships | Brand Name | Assembled Workforce | Total |
|----------------------|------------------------|------------------|---------------------|------------------|
| 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 |
| June 30, 2023 | 4,876,250 | 4,223,733 | 65,734 | 9,165,717 |

As of June 30, 2023, there were no indicators of impairment since the last impairment test was performed as of December 31, 2022.

9. Accounts Payable

| | 30-Jun-2023 | 31-Dec-2022 |
|--|------------------|-------------------|
| Trade payables | 6,957,897 | 10,896,243 |
| Sales prepayments | 146,900 | 707,823 |
| Other payables and accrued liabilities | 907,636 | 631,620 |
| | 8,012,433 | 12,235,686 |

10. Debt

| | Interest Rate | Maturity | 30-Jun-2023 | 31-Dec-2022 |
|-----------------------------|---------------|----------|------------------|------------------|
| CEBA loan ¹ | 5.000% | Dec 2023 | 70,000 | 70,000 |
| AFSC loan ² | 2.875% | Jun 2024 | 377,645 | 377,645 |
| AFSC loan ² | 3.644% | Dec 2026 | 1,846,224 | 1,846,074 |
| AFSC loan ² | 3.520% | Dec 2026 | 1,168,790 | 1,201,696 |
| Equipment loan ³ | 4.100% | Feb 2023 | - | 3,250 |
| Balance | | | 3,462,659 | 3,498,665 |
| Current portion | | | (908,020) | (521,455) |
| Long term portion | | | 2,554,639 | 2,977,210 |

¹\$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.

²Senior secured asset-based credit facility (the “Facility”) with Agriculture Financial Services Corporation (“AFSC”). Effective January 1, 2023, the Facility includes interest-only payments until June 30, 2023, on the inventory loan at 2.875% and the property loan at 3.644%. The equipment loan at 3.520% continued to be repaid under the original amortization schedule. The ABL facility is secured by all of the Company’s assets.

³Equipment loans secured by the specific equipment in place.

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| | 30-Jun-2023 | 31-Dec-2022 |
|---------------------------|------------------|------------------|
| Beginning balance | 3,498,655 | 3,151,849 |
| Proceeds from debt | - | 889,472 |
| Accretion expense | - | 3,407 |
| Debt principal repayments | (36,006) | (546,063) |
| Ending balance | 3,462,659 | 3,498,665 |

Scheduled Principal Repayments

| | |
|--------------------------|------------------|
| For the 12 months ending | |
| June 2024 | 908,020 |
| June 2025 | 477,068 |
| June 2026 | 494,366 |
| June 2027 | 1,583,205 |
| June 2028 | - |
| Thereafter | - |
| | 3,462,659 |

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 |

¹Defined as the ratio of earnings before interest, tax, depreciation, and amortization to annual debt payments

²Defined as the ratio of current assets to current liabilities

³Defined 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. This covenant is only calculated on an annual basis by AFSC and therefore no further waiver was required by AFSC for the period ending June 30, 2023. The Company was in compliance with the current ratio and debt to equity ratio covenants at June 30, 2023.

11. Lease Liabilities

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

| | 30-Jun-2023 | 31-Dec-2022 |
|---------------------------------|----------------|----------------|
| Opening balance | 654,584 | 499,687 |
| Additions and other adjustments | 401,242 | 231,683 |
| Lease principal repayments | (93,936) | (76,786) |
| Balance | 961,889 | 654,584 |
| Current portion | (216,920) | (129,885) |
| Long-term portion | 744,969 | 524,699 |

Scheduled Principal Repayments

| | |
|--------------------------|----------------|
| For the 12 months ending | |
| June 2024 | 216,920 |
| June 2025 | 233,560 |
| June 2026 | 225,063 |
| June 2027 | 149,954 |
| June 2028 | 57,610 |
| Thereafter | 78,782 |
| | 961,889 |

12. Contingent Consideration

| | 30-Jun-2023 | 31-Dec-2022 |
|-----------------------|------------------|------------------|
| Opening balance | 5,772,995 | 5,053,394 |
| Changes to fair value | (61,254) | 719,601 |
| Balance | 5,711,741 | 5,772,995 |
| Current portion | - | (3,364,020) |
| Long-term | 5,711,741 | 2,408,975 |

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.

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

Refer to note 22 for associated related party disclosures.

For the 3 and 6 months ended June 30, 2023, no earn-payments were made or accrued as Replenish did not achieve the qualifying gross annual revenue and gross margin percentage thresholds.

13. Income Tax

Reconciliation of Effective Tax Rate

| | 3 Months | | 6 Months | |
|--|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Earnings (loss) before tax | (614,851) | (1,250,413) | (1,020,904) | (2,890,005) |
| Combined federal/provincial statutory tax rate | 23% | 23% | 23% | 23% |
| | (141,000) | (288,000) | (234,000) | (665,000) |
| Share-based payments | 3,000 | - | 5,000 | - |
| Change in unrecognized deferred tax assets | 84,000 | 324,300 | 32,000 | 425,300 |
| Change in tax rate | - | - | - | - |
| Prior year true-ups | 3,000 | - | 4,000 | - |
| Other | - | - | - | - |
| | (51,000) | 36,300 | (193,000) | (239,700) |
| Current income tax expense (recovery) | - | - | - | - |
| Deferred income tax expense (recovery) | (51,000) | 36,300 | (193,000) | (239,700) |
| Income tax expense (recovery) | (51,000) | 36,300 | (193,000) | (239,700) |

Numbers in the above table may not recalculate due to rounding

Net Deferred Tax Liability Continuity

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

| | 30-Jun-2023 | 31-Dec-2022 |
|---|--------------------|--------------------|
| Opening balance | (1,696,000) | (2,346,000) |
| Origination and reversal of temporary differences | 141,000 | 325,000 |
| Non-capital loss carry-forwards | 52,000 | 325,000 |
| Ending balance | (1,503,000) | (1,696,000) |
| Deferred income tax liability | (1,503,000) | (1,696,000) |
| Deferred income tax asset | - | - |
| Net Deferred Tax Liability | (1,503,000) | (1,696,000) |
| Property, plant and equipment | (125,000) | (129,000) |
| Intangibles | (2,090,000) | (2,225,000) |
| Expected credit losses | 42,000 | 42,000 |
| Loss carry-forwards | 666,000 | 614,000 |
| Other items | 4,000 | 2,000 |
| Net Deferred Tax Liability | (1,503,000) | (1,696,000) |

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

| | 30-Jun-2023 | 31-Dec-2022 |
|---------------------------------|-------------------|-------------------|
| Non-capital loss carry-forwards | 21,652,000 | 21,439,000 |
| Contingent consideration | 5,713,000 | 5,774,000 |
| Property, plant and equipment | 2,226,000 | 2,105,000 |
| Intangibles | 166,000 | 166,000 |
| Share issue costs | 891,000 | 1,030,000 |
| Leases | 35,000 | 30,000 |
| | 30,683,000 | 30,544,000 |

The non-capital losses of \$24,548,000 (December 31, 2022 – \$24,109,000) expire between 2025 and 2042 (December 31, 2022 – 2025 and 2042). The remaining temporary differences do not expire under current legislation.

14. Shareholders' Equity

Authorized Share Capital

Unlimited Voting Common Shares

| Unlimited Voting Common Shares | Number | Amount |
|--------------------------------|--------------------|-------------------|
| 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 |
| Balance 30-Jun-2023 | 141,883,762 | 29,916,521 |

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

| | 3 Months | | 6 Months | |
|---|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net earnings (loss) | (563,851) | (1,286,713) | (827,904) | (2,650,305) |
| Basic | 141,883,762 | 103,179,707 | 141,883,762 | 97,975,895 |
| Diluted | 141,883,762 | 103,179,707 | 141,883,762 | 97,975,895 |
| Net earnings (loss) per share – Basic | (0.00) | (0.01) | (0.01) | (0.03) |
| Net earnings (loss) per share - Diluted | (0.00) | (0.01) | (0.01) | (0.03) |

15. Warrants

| | Number | Weighted Average Price | Value |
|----------------------------|-------------------|------------------------|------------------|
| 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 |
| Granted | - | - | - |
| Exercised | - | - | - |
| Expired | - | - | - |
| Balance 30-Jun-2023 | 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% |

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.

16. 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.

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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-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 |
| Granted | - | - | 20,452 |
| Exercised | - | - | - |
| Expired | - | - | - |
| Forfeited | (3,904,998) | 0.21 | (656,887) |
| Balance 30-Jun-2023 | 6,916,662 | 0.21 | 1,085,425 |

| Outstanding | Exercisable | Grant Date | Expiry Date | Exercise Price | Fair Value | Volatility | Life | Dividend Yield | Risk Free Rate |
|------------------|------------------|------------|-------------|----------------|------------------|-------------|----------|----------------|----------------|
| 166,665 | 166,665 | 8-Jul-19 | 8-Jul-24 | 0.30 | 12,900 | 105% | 5 | 0% | 1.57% |
| 233,332 | 233,332 | 25-Oct-19 | 25-Oct-24 | 0.18 | 33,110 | 110% | 5 | 0% | 1.57% |
| 333,333 | 333,333 | 2-Apr-20 | 2-Apr-25 | 0.30 | 57,000 | 147% | 5 | 0% | 0.59% |
| 423,332 | 423,332 | 5-Jun-20 | 5-Jun-25 | 0.33 | 121,793 | 135% | 5 | 0% | 0.52% |
| 1,910,000 | 1,910,000 | 3-Aug-21 | 3-Aug-26 | 0.25 | 412,751 | 132% | 5 | 0% | 0.85% |
| 3,850,000 | 3,400,000 | 13-Sep-22 | 13-Sep-27 | 0.16 | 466,620 | 100% | 5 | 0% | 3.30% |
| 6,916,662 | 6,466,662 | | | 0.21 | 1,104,174 | 114% | 5 | 0% | 2.22% |

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.

17. Revenue

| | 3 Months | | 6 Months | |
|-----------------|------------------|------------------|------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Product revenue | 4,030,271 | 6,819,126 | 6,370,731 | 9,568,673 |
| Service revenue | 230,067 | 187,691 | 253,347 | 354,235 |
| Power revenue | 35,492 | 27,577 | 161,481 | 175,200 |
| | 4,295,830 | 7,034,394 | 6,785,559 | 10,098,108 |

18. Direct Costs

| | 3 Months | | 6 Months | |
|--|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Product costs | 3,203,905 | 4,594,392 | 5,244,490 | 6,879,261 |
| Transportation costs | 103,391 | 804,310 | 151,291 | 1,366,183 |
| Storage, processing and spreading costs | 259,071 | 162,453 | 353,204 | 295,406 |
| Personnel and contractor costs | 16,447 | 290,160 | 32,187 | 494,324 |
| Repairs and maintenance | - | 56,435 | - | 108,353 |
| Plant operations, supplies and materials | 106,460 | 125,113 | 224,659 | 183,867 |
| Equipment rentals | 13,388 | 27,214 | 47,768 | 43,413 |
| | 3,702,662 | 6,060,077 | 6,053,599 | 9,370,807 |

19. Selling, General and Administration

| | 3 Months | | 6 Months | |
|--|----------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Personnel and contractor costs | 368,137 | 570,997 | 805,794 | 1,154,581 |
| Professional, consulting, and regulatory | 161,428 | 244,800 | 257,456 | 458,980 |
| Share-based compensation | 10,226 | - | 20,452 | - |
| Office and administrative | 83,822 | 184,874 | 160,575 | 314,965 |
| Marketing, advertising, promotions | (13,224) | 52,143 | (6,749) | 58,685 |
| | 610,389 | 1,052,814 | 1,237,528 | 1,987,211 |

20. Finance Costs

| | 3 Months | | 6 Months | |
|-------------------------------|---------------|---------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Interest on long-term debt | 30,474 | 41,801 | 59,599 | 72,571 |
| Interest on lease liabilities | 28,040 | 16,978 | 43,543 | 27,760 |
| Accretion expense | - | 830 | - | 1,682 |
| | 58,514 | 59,609 | 103,142 | 102,013 |

21. Other Income and Expense

| | 3 Months | | 6 Months | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Government funding | 91,377 | 215,510 | 158,772 | 231,184 |
| Insurance proceeds | 74,896 | - | 324,039 | - |
| Interest income | 5,616 | - | 11,245 | 80 |
| Other | 8,573 | - | 9,210 | - |
| | 180,462 | 215,510 | 503,266 | 231,264 |

22. Related Party Transactions

| | 3 Months | | 6 Months | |
|--|----------------|----------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Office rent and expenses ¹ | - | 7,700 | 1,550 | 17,000 |
| Fertilizer revenue ¹ | 173,008 | 209,583 | 2,079,540 | 209,583 |
| Fertilizer operation expenses ¹ | 38,087 | 237,581 | 56,616 | 502,619 |
| Salaries, wages and benefits ² | 233,890 | 297,336 | 555,544 | 643,615 |
| Share-based payment expense ² | - | - | - | - |
| | 444,985 | 752,200 | 2,693,250 | 1,372,817 |

¹The 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.

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

At June 30, 2023, there was \$2,079,771 (June 30, 2022 – \$194,360) of accounts receivable and \$229,775 (June 30, 2022 – \$249,460) of accounts payable outstanding related to the above transactions.

23. Capital Management

| | 30-Jun-2023 | 31-Dec-2022 | | |
|--------------------------------------|-------------------|-------------------|-------------|-------------|
| Current assets | 14,450,754 | 19,712,651 | | |
| Current liabilities | (9,137,373) | (16,251,046) | | |
| Net working capital (deficit) | 5,313,381 | 3,461,605 | | |
| Debt | 3,462,659 | 3,498,665 | | |
| Lease liabilities | 961,889 | 654,584 | | |
| Contingent consideration | 5,711,741 | 5,772,995 | | |
| | 10,136,289 | 9,926,244 | 42% | 40% |
| Shareholders' equity | 14,109,237 | 14,916,689 | 58% | 60% |
| | 24,245,526 | 24,842,933 | 100% | 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.

24. 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 | 8,012,433 | 8,012,433 | - | - | - |
| Contingent consideration ¹ | 5,711,741 | - | 5,711,741 | - | - |
| Long-term debt | 3,741,304 | 1,013,043 | 1,119,136 | 1,609,125 | - |
| Lease liabilities | 1,204,313 | 315,486 | 572,589 | 233,738 | 82,500 |
| Total | 18,669,791 | 9,340,962 | 7,403,466 | 1,842,863 | 82,500 |

¹The 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 3 and 6 months ended

June 30, 2023, the Company had two customers that comprised more than 10% of total revenue (2022 – two 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 3 and 6 months ended June 30, 2023, 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 June 30, 2023.

25. 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.

EARTHRENEW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE 3 AND 6 MONTHS ENDED JUNE 30, 2023 AND 2022 (EXCEPT WHERE OTHERWISE NOTED)

| 3 Months June 30, 2023 | Fertilizer | Power | Elim | Total |
|-----------------------------------|-------------------|------------------|-------------|------------------|
| Revenue | 4,260,338 | 35,492 | - | 4,295,830 |
| Direct costs | 3,646,070 | 56,592 | - | 3,702,662 |
| Gross profit | 614,268 | (21,100) | - | 593,168 |
| Depreciation | 463,866 | 72,082 | - | 535,948 |
| Selling, general and admin | 562,514 | 47,875 | - | 610,389 |
| Operating expense | 1,026,380 | 119,957 | - | 1,146,337 |
| Operating income (loss) | (412,112) | (141,057) | - | (553,169) |
| Non-operating (income) expense | 55,454 | 6,228 | - | 61,682 |
| Income (loss) before tax | (467,566) | (147,285) | - | (614,851) |

| 3 Months June 30, 2022 | Fertilizer | Power | Elim | Total |
|-----------------------------------|-------------------|------------------|-------------|--------------------|
| Revenue | 7,006,817 | 27,577 | - | 7,034,394 |
| Direct costs | 5,856,347 | 203,730 | - | 6,060,077 |
| Gross profit | 1,150,470 | (176,153) | - | 974,317 |
| Depreciation | 381,678 | 72,181 | - | 453,859 |
| Selling, general and admin | 1,017,186 | 35,628 | - | 1,052,814 |
| Operating expense | 1,398,864 | 107,809 | - | 1,506,673 |
| Operating income (loss) | (248,394) | (283,962) | - | (532,356) |
| Non-operating (income) expense | 710,804 | 7,253 | - | 718,057 |
| Income (loss) before tax | (959,198) | (291,215) | - | (1,250,413) |

| 6 Months June 30, 2023 | Fertilizer | Power | Elim | Total |
|-----------------------------------|--------------------|------------------|-------------|--------------------|
| Revenue | 6,624,077 | 161,482 | - | 6,785,559 |
| Direct costs | 5,911,044 | 142,555 | - | 6,053,599 |
| Gross profit | 713,033 | 18,927 | - | 731,960 |
| Depreciation | 908,775 | 144,164 | - | 1,052,939 |
| Selling, general and admin | 1,122,515 | 115,013 | - | 1,237,528 |
| Operating expense | 2,031,290 | 259,177 | - | 2,290,467 |
| Operating income (loss) | (1,318,257) | (240,250) | - | (1,558,507) |
| Non-operating (income) expense | (550,280) | 12,677 | - | (537,603) |
| Income (loss) before tax | (767,977) | (252,927) | - | (1,020,904) |

| 6 Months June 30, 2022 | Fertilizer | Power | Elim | Total |
|-----------------------------------|--------------------|------------------|-------------|--------------------|
| Revenue | 9,922,908 | 175,200 | - | 10,098,108 |
| Direct costs | 9,051,831 | 318,976 | - | 9,370,807 |
| Gross profit | 871,077 | (143,776) | - | 727,301 |
| Depreciation | 767,559 | 144,364 | - | 911,923 |
| Selling, general and admin | 1,859,696 | 127,515 | - | 1,987,211 |
| Operating expense | 2,627,255 | 271,879 | - | 2,899,134 |
| Operating income (loss) | (1,756,178) | (415,655) | - | (2,171,833) |
| Non-operating (income) expense | 703,680 | 14,492 | - | 718,172 |
| Income (loss) before tax | (2,459,858) | (430,147) | - | (2,890,005) |

EARTHRENEW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE 3 AND 6 MONTHS ENDED JUNE 30, 2023 AND 2022 (EXCEPT WHERE OTHERWISE NOTED)

Assets and Liabilities

| June 30, 2023 | Fertilizer | Power | Elim | Total |
|---|-------------------|--------------------|---------------------|-------------------|
| Current assets | 29,780,771 | 192,727 | (15,522,744) | 14,450,754 |
| Property, plant, and equipment | 7,987,858 | 2,156,630 | - | 10,144,488 |
| Intangibles | 9,165,717 | - | - | 9,165,717 |
| Investments | 9,294,653 | - | (9,294,653) | - |
| Total assets | 56,228,999 | 2,349,357 | (24,817,397) | 33,760,959 |
| Current liabilities | 21,164,705 | 3,495,412 | (15,522,744) | 9,137,373 |
| Long-term debt and leases | 3,021,986 | 277,622 | - | 3,299,608 |
| Contingent consideration | 5,711,741 | - | - | 5,711,741 |
| Deferred tax liability | 1,503,000 | - | - | 1,503,000 |
| Total liabilities | 31,401,432 | 3,773,034 | (15,522,744) | 19,651,722 |
| Total shareholders' equity | 24,827,567 | (1,423,677) | (9,294,653) | 14,109,237 |
| Total liabilities and shareholders' equity | 56,228,999 | 2,349,357 | (24,817,397) | 33,760,959 |

| 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 |

26. Change in Non-Cash Working Capital

The following is a summary of the net change in non-cash working capital for the 3 and 6 months ended June 30, 2023 and 2022:

| | 3 Months | | 6 Months | |
|--|-----------------|--------------------|------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Change in non-cash working capital | | | | |
| Accounts receivable | (257,408) | (2,864,135) | (73,902) | (1,174,462) |
| Inventory | 2,302,465 | (841,334) | 4,155,065 | (3,195,025) |
| Other current assets | (352,999) | (200,774) | (326,118) | (160,733) |
| Accounts payable | (1,648,816) | 912,230 | (4,224,979) | 1,039,681 |
| Total changes related to operating activities | 43,242 | (2,994,013) | (469,934) | (3,490,539) |