REPLENISH NUTRIENTS HOLDING CORP. (FORMERLY EARTHRENEW INC.)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

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Independent Auditor's Report

To the Shareholders and Board of Directors of
Replenish Nutrients Holding Corp.

Opinion

We have audited the consolidated financial statements of Replenish Nutrients Holding Corp. (formerly EarthRenew Inc. (the "Company")), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of earnings (loss) and comprehensive income (loss), changes in cash flows and equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Replenish Nutrients Holding Corp for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on April 27, 2023.

Material Uncertainty related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a negative cash flow from operations of $520,453 during the year ended December 31, 2023 and, as of that date the Company has an accumulated deficit of $21,657,518. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was 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 this matter.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Revenue Recognition – Product Revenue - Refer to Notes 3 and 18 to the financial statements

Key Audit Matter Description

The Company primarily generates revenue from its sales of products related to regenerative fertilizer solutions. 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.

Product revenue is a key audit matter due to the significant audit effort required in performing audit procedures related to the Company's product revenue recognition.

How the Key Audit Matter Was Addressed in the Audit

To test the revenue recognition for product revenue our audit procedures included among others, on a sample basis, identifying the performance obligation and evaluating revenue recognition by obtaining and inspecting a combination of the following audit evidence: external confirmations, sales invoices, bill of ladings/shipping documents, customer communication and cash receipts.

Other Information

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

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 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 David Langlois.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
April 29, 2024

STATED IN CANADIAN DOLLARS

	Note	31-Dec-2023	31-Dec-2022
ASSETS			
Current Assets			
Cash		1,037,599	3,632,195
Trade and other receivables	5	4,379,367	4,056,657
Inventory	6	5,302,406	11,927,163
Other current assets	7	209,535	96,636
Total Current Assets		**10,928,907**	**19,712,651**
Property, plant, and equipment	8	9,905,755	9,303,801
Intangibles	9	8,573,267	9,758,167
Total Assets		**29,407,929**	**38,774,619**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	10	6,021,038	12,235,686
Current portion of long-term debt	11	728,809	521,455
Current portion of lease liabilities	12	230,431	129,885
Current portion of contingent consideration	13	-	3,364,020
Total Current Liabilities		**6,980,278**	**16,251,046**
Long-term debt	11	2,318,228	2,977,210
Lease liabilities	12	626,268	524,699
Contingent consideration	13	3,101,686	2,408,975
Deferred income tax liability	14	1,088,000	1,696,000
Total Liabilities		**14,114,460**	**23,857,930**
Shareholders' Equity			
Share capital	15	29,916,521	29,916,521
Warrants	16	5,697,901	5,697,901
Share-based payment reserve	17	1,336,565	1,721,860
Retained earnings (deficit)		(21,657,518)	(22,419,593)
Total Shareholders' Equity		**15,293,469**	**14,916,689**
Total Liabilities and Shareholders' Equity		**29,407,929**	**38,774,619**
Going concern	2		
Commitments and contingencies	26		

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

Approved by the Board of Directors of Replenish Nutrients Holding Corp.

(signed) "Catherine Stretch"
CATHERINE STRETCH, DIRECTOR

(signed) "Chris Best"
CHRIS BEST, DIRECTOR

STATED IN CANADIAN DOLLARS

	Note	31-Dec-2023	31-Dec-2022
Revenue	18	13,918,301	17,270,400
Direct costs	19	12,563,620	15,120,463
Gross Profit		**1,354,681**	**2,149,937**
Operating Expenses			
Depreciation and amortization	8,9	2,200,588	1,903,470
Selling, general and administration	20	2,462,543	3,105,925
		4,663,131	**5,009,395**
Earnings (Loss) from Operations		**(3,308,450)**	**(2,859,458)**
Non-Operating Expense (Income)			
Finance costs	21	211,594	170,648
Transaction costs	22	-	525,021
Research and development		105,116	282,456
Share-based compensation expense	4,17	292,590	613,726
(Gain) loss on disposal of assets		(4,606)	176,938
Bad debt expense (recovery)	5	(141,994)	(401,280)
Impairment	8,9	-	3,035,642
(Gain) loss on foreign exchange		7,005	44,999
Other (income) expense	23	(583,036)	(292,508)
(Gain) loss on contingent consideration	13	(2,671,309)	719,601
		(2,784,640)	**4,875,243**
Earnings (Loss) before Income Tax		**(523,810)**	**(7,734,701)**
Income Tax			
Current tax expense (recovery)	14	-	-
Deferred tax expense (recovery)	14	(608,000)	(650,000)
		(608,000)	**(650,000)**
Net Earnings (Loss)		**84,190**	**(7,084,701)**
Other comprehensive income (loss)		-	-
Comprehensive Income (Loss)		**84,190**	**(7,084,701)**
Net Earnings (Loss) per Common Share			
Basic		0.00	(0.06)
Diluted		0.00	(0.06)

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

STATED IN CANADIAN DOLLARS

	Note	31-Dec-2023	31-Dec-2022
OPERATING ACTIVITIES			
Net income (loss)		84,190	(7,084,701)
Items not affecting cash:			
Depreciation and amortization	8,9	2,200,588	1,903,470
Impairment	8,9	-	3,035,642
Deferred tax expense (recovery)	14	(608,000)	(650,000)
Finance costs	21	211,594	170,648
(Gain) loss on foreign exchange		7,005	44,999
(Gain) loss on disposal of assets		(4,606)	176,938
(Gain) loss on contingent consideration	13	(2,671,309)	719,601
Share-based compensation expense	17	292,590	613,726
Bad debt expense (recovery)	5	(141,994)	(401,280)
Funds from (used in) operations		**(629,942)**	**(1,470,957)**
Changes in non-cash working capital	28	109,489	(4,808,008)
Cash from (used in) operations		**(520,453)**	**(6,278,965)**
INVESTING ACTIVITIES			
Purchase of property, plant, and equipment		(1,680,504)	(2,421,852)
Disposal of property, plant, and equipment		468,710	104,787
Cash from (used in) investing activities		**(1,211,794)**	**(2,317,065)**
FINANCING ACTIVITIES			
Proceeds from debt		-	889,472
Repayment of debt		(451,628)	(546,063)
Repayment of lease liabilities		(199,127)	(76,786)
Cash interest paid		(211,594)	(164,740)
Proceeds from share issuance, net of issue costs		-	9,418,865
Proceeds from stock options	17	-	12,500
Proceeds from warrants	16	-	1,420,000
Cash from (used in) financing activities		**(862,349)**	**10,953,248**
Increase (decrease) in cash and equivalents		**(2,594,596)**	**2,357,218**
Cash beginning of period		3,632,195	1,274,977
Cash end of period		**1,037,599**	**3,632,195**

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

STATED IN CANADIAN DOLLARS

	Note	31-Dec-2023	31-Dec-2022
Share Capital			
Balance, beginning of period	15	29,916,521	24,195,577
Issuance of share capital, net of issue costs	15	-	9,418,865
Warrants granted	15	-	(5,529,767)
Warrants exercised	15	-	1,808,541
Stock options exercised	15	-	23,305
Balance, end of period	15	**29,916,521**	**29,916,521**
Warrants			
Balance, beginning of period	16	5,697,901	1,120,601
Warrants granted	16	-	5,529,767
Warrants exercised	16	-	(388,541)
Warrants expired	16	-	(563,926)
Balance, end of period	16	**5,697,901**	**5,697,901**
Share-Based Payment Reserve			
Balance, beginning of period	17	1,721,860	1,224,504
Share-based payments expense	17	292,590	613,726
Stock options exercised	17	-	(10,805)
Stock options expired	17	-	-
Stock options forfeited	17	(677,885)	(105,565)
Balance, end of period	17	**1,336,565**	**1,721,860**
Retained Earnings (Deficit)			
Balance, beginning of period		(22,419,593)	(16,004,383)
Net income (loss)		84,190	(7,084,701)
Warrants expired	16	-	563,926
Stock options expired/forfeited	17	677,885	105,565
Balance, end of period		**(21,657,518)**	**(22,419,593)**
Total Shareholders' Equity		**15,293,469**	**14,916,689**

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

1. Description of the Business

Replenish Nutrients Holding Corp. (formerly EarthRenew Inc.) ("Replenish" or the "Company") is incorporated in the province of Alberta, 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 regenerative fertilizer solutions to support a farm system that prioritizes healthy soils and grower profitability. By combining essential macro and micro nutrients with biological material and a proprietary zero waste 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 in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved by the Company's Board of Directors on April 29, 2024.

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 incurred net earnings of $84,190 (2022 net loss – $7,084,701) and negative operating cash flows of $520,453 (2022 – negative operating cash flow of $6,278,965) and had a deficit of $21,657,518 (2022 – deficit of $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 Material Accounting Policies, Estimates and Judgements

Material 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 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	Fair value through profit and loss
Trade and other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Lease liabilities	Amortized cost
Contingent consideration	Fair value through profit and loss

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.

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

Impairment of Non-Financial Assets

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).

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. 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 8.
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 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 segments the Company tracks revenues, expenses, and profitability metrics for which the Company's chief operating decision maker(s) evaluate performance and allocates resources.

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.

Material 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 complete the sale.

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.

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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 change relates to classifying share-based payment expense in the non-operating section of the consolidated statement of earnings (loss) and comprehensive income (loss) to highlight the non-cash nature of the expense and to give the reader a better understanding of the cash impacts of the core operating business.

	31-Dec-2023 As Presented	**31-Dec-2022** As Presented	**31-Dec-2022** Prior Presentation
Operating Expenses			
Depreciation and amortization	2,200,588	1,903,470	1,903,470
Selling, general and administration	2,462,543	3,105,925	3,719,651
	4,663,131	**5,009,395**	**5,623,121**
Earnings (Loss) from Operations	**(3,308,450)**	**(2,859,458)**	**(3,473,184)**
Non-Operating Expense (Income)			
Finance costs	211,594	170,648	170,648
Transaction costs	-	525,021	525,021
Research and development	105,116	282,456	282,456
Share-based compensation expense	292,590	613,726	-
(Gain) loss on disposal of assets	(4,606)	176,938	176,938
Bad debt expense (recovery)	(141,994)	(401,280)	(401,280)
Impairment	-	3,035,642	3,035,642
(Gain) loss on foreign exchange	7,005	44,999	44,999
Other (income) expense	(583,036)	(292,508)	(292,508)
(Gain) loss on contingent consideration	(2,671,309)	719,601	719,601
	(2,784,640)	**4,875,243**	**4,261,517**
Earnings (Loss) before Income Tax	**(523,810)**	**(7,734,701)**	**(7,734,701)**

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5. Accounts Receivable

	31-Dec-2023	31-Dec-2022
Trade receivables	4,475,002	4,029,723
Other receivables	85,429	209,198
Expected credit losses	(181,064)	(182,264)
	4,379,367	**4,056,657**
Aged trade receivables		
Current (<30 days)	1,060,555	1,557,835
31-60 days	739,086	538,763
61-90 days	578,425	1,072,195
>90 days	2,096,936	860,930
	4,475,002	**4,029,723**

	31-Dec-2023	31-Dec-2022
Expected credit losses		
Balance, beginning of period	182,264	931,855
Balance written-off	(1,200)	(296,780)
Balances recovered	-	(452,811)
Balance, end of period	**181,064**	**182,264**

Subsequent to year end, the Company collected and settled $1,769,482 of trade receivables related to December 31, 2023, balances, of which $1,295,937 related to balances over 90 days.

6. Inventory

	31-Dec-2023	31-Dec-2022
Raw materials	719,538	3,966,595
Finished goods	4,582,868	7,960,568
	5,302,406	**11,927,163**

For the 12 months ended December 31, 2023, $10,534,204 ($10,835,049 for period ending December 31, 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 $546,590 impairment in 2023 (2022 – $nil).

7. Other Current Assets

	31-Dec-2023	31-Dec-2022
Prepaids	157,580	44,355
Deposits	51,955	52,281
	209,535	**96,636**

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8. 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	-	1,426,406	272,530	401,242	2,100,178
Transfers	-	(1,508,189)	1,508,189	-	-
Disposals	-	(376,600)	(129,815)	-	(506,415)
December 31, 2023	**1,250,825**	**5,617,153**	**5,552,495**	**1,537,325**	**13,957,798**

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	-	191,046	595,741	228,901	1,015,688
Disposals	-	-	(23,879)	-	(23,879)
December 31, 2023	**-**	**1,926,221**	**1,374,835**	**750,987**	**4,052,043**

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
December 31, 2023	**1,250,825**	**3,690,932**	**4,177,660**	**786,338**	**9,905,755**

At December 31, 2023, there were $814,023 (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 December 31, 2023, the Company noted no overall impairment indicators.

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.

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9. Intangibles

Cost	Customer Relationships	Brand Name	Total
December 31, 2021	**6,225,000**	**5,508,000**	**11,733,000**
Additions	-	-	-
Disposals	-	-	-
December 31, 2022	**6,225,000**	**5,508,000**	**11,733,000**
Additions	-	-	-
Disposals	-	-	-
December 31, 2023	**6,225,000**	**5,508,000**	**11,733,000**

Accumulated Amortization	Customer Relationships	Brand Name	Total
December 31, 2021	**415,000**	**374,933**	**789,933**
Amortization	622,500	562,400	1,184,900
December 31, 2022	**1,037,500**	**937,333**	**1,974,833**
Amortization	622,500	562,400	1,184,900
December 31, 2023	**1,660,000**	**1,499,733**	**3,159,733**

Net Book Value	Customer Relationships	Brand Name	Total
December 31, 2021	5,810,000	5,133,067	10,943,067
December 31, 2022	5,187,500	4,570,667	9,758,167
December 31, 2023	**4,565,000**	**4,008,267**	**8,573,267**

Consistent with property, plant and equipment, as at December 31, 2023, the Company did not identify any impairment indicators. As such, the Company did not perform an impairment analysis on the Fertilizer CGU to which the intangible assets relate.

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. The recoverable amount for the Fertilizer CGU was based on a FVLCOD method by estimating the future cash flows that would be generated and an after-tax discount rate of 17.6%, which considered the industry average cost of capital, past experience and asset specific risk.

10. Accounts Payable

	31-Dec-2023	31-Dec-2022
Trade payables	5,168,099	10,896,243
Sales prepayments	442,622	707,823
Other payables and accrued liabilities	410,317	631,620
	6,021,038	**12,235,686**

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11. Debt

	Interest Rate	Interest Term Renewal	Maturity	31-Dec-2023	31-Dec-2022
CEBA loan[1]	5.000%	N/A	Jan 2024	70,000	70,000
AFSC loan[2]	2.875%	N/A	Jun 2024	190,160	377,645
AFSC loan[2]	3.644%	Dec 2026	Nov 2027	1,651,567	1,846,074
AFSC loan[2]	3.520%	Dec 2026	Apr 2037	1,135,310	1,201,696
Equipment loan	4.100%	N/A	Feb 2023	-	3,250
Balance				**3,047,037**	**3,498,665**
Current portion				(728,809)	(521,455)
Long term portion				**2,318,228**	**2,977,210**

[1]The Company received a $100,000 interest-free loan from the Canada Emergency Business Account Program (“CEBA”) in 2021. By repaying the loan before January 18, 2024, the Company will benefit from a $30,000 loan forgiveness, which was previously recorded as a government grant in the Statement of Earnings (Loss) and Comprehensive Income (Loss). If the loan was not repaid by January 18, 2024, it would have been converted into a three-year term loan at an annual interest rate of 5%, with the entire loan to be repaid. Subsequent to December 31, 2023, and prior to January 18, 2024, the Company repaid the balance of $70,000 and received the full $30,000 forgiveness.

[2]Effective July 21, 2021, the Company 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 included interest-only payments until for the period January 1, 2022, to 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 Company’s assets.

	31-Dec-2023	31-Dec-2022
Beginning balance	3,498,665	3,151,849
Proceeds from debt	-	889,472
Accretion expense	-	3,407
Debt principal repayments	(451,628)	(546,063)
Ending balance	**3,047,037**	**3,498,665**

Scheduled Principal Repayments

For the 12 months ending	
December 2024	728,809
December 2025	485,640
December 2026	503,248
December 2027	483,280
December 2028	78,367
Thereafter	767,693
	3,047,037

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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, 2023 and 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, 2023 and 2022.

12. Lease Liabilities

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

	31-Dec-2023	31-Dec-2022
Opening balance	654,584	499,687
Additions and other adjustments	401,242	231,683
Lease principal repayments	(199,127)	(76,786)
Balance	**856,699**	**654,584**
Current portion	(230,431)	(129,885)
Long-term portion	**626,268**	**524,699**

The Company's average interest rate used to discount the lease liabilities at December 31, 2023 was 11.41% (December 31, 2022: 8.91%).

Scheduled Principal Repayments

For the 12 months ending	
December 2024	230,431
December 2025	228,516
December 2026	212,581
December 2027	77,010
December 2028	59,954
Thereafter	48,207
	856,699

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13. Contingent Consideration

	31-Dec-2023	31-Dec-2022
Opening balance	5,772,995	5,053,394
Changes to fair value	(2,671,309)	719,601
Settlements	-	-
Balance	**3,101,686**	**5,772,995**
Current portion	-	(3,364,020)
Long-term	**3,101,686**	**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 Replenish Nutrients Holding Corp. (formerly EarthRenew Inc.), 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 (2022 – 17.6%), 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 approximately $53,000 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 approximately $50,000

For the year ending December 31, 2023, no earn-payments (December 31, 2022 – nil) were made or accrued as Replenish did not achieve the qualifying gross annual revenue and gross margin percentage thresholds.

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14. Income Tax

Reconciliation of Effective Tax Rate

	31-Dec-2023	31-Dec-2022
Earnings (loss) before tax	(523,810)	(7,734,701)
Combined federal/provincial statutory tax rate	23%	23%
	(120,000)	**(1,778,000)**
Share-based payments	67,000	141,000
Change in unrecognized deferred tax assets	(556,000)	935,000
Prior year true-ups	1,000	68,000
Other	-	(16,000)
	(608,000)	**(650,000)**
Current income tax expense (recovery)	-	-
Deferred income tax expense (recovery)	(608,000)	(650,000)
Income tax expense (recovery)	**(608,000)**	**(650,000)**

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.

Net Deferred Tax Liability Continuity

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

	31-Dec-2023	31-Dec-2022
Opening balance	(1,696,000)	(2,346,000)
Origination and reversal of temporary differences	228,000	325,000
Non-capital loss carry-forwards	380,000	325,000
Ending balance	**(1,088,000)**	**(1,696,000)**
Deferred income tax liability	(1,088,000)	(1,696,000)
Deferred income tax asset	-	-
Net Deferred Tax Liability	**(1,088,000)**	**(1,696,000)**
Property, plant and equipment	(177,000)	(129,000)
Intangibles	(1,954,000)	(2,225,000)
Expected credit losses	42,000	42,000
Loss carry-forwards	994,000	614,000
Other items	7,000	2,000
Net Deferred Tax Liability	**(1,088,000)**	**(1,696,000)**

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

	31-Dec-2023	31-Dec-2022
Non-capital loss carry-forwards	21,739,000	21,439,000
Contingent consideration	3,100,000	5,774,000
Property, plant and equipment	2,339,000	2,105,000
Intangibles	161,000	166,000
Share issue costs	752,000	1,030,000
Leases	39,000	30,000
	28,130,000	**30,544,000**

The non-capital losses of $26,061,000 (2022 – $24,109,000) expire between 2026 and 2043 (2022 – 2025 and 2042). The remaining temporary differences do not expire under current legislation.

15. 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 31-Dec-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 and Net Earnings (Loss) per Common Share

	31-Dec-2023	31-Dec-2022
Net earnings (loss)	84,190	(7,084,701)
Basic	141,883,762	120,094,804
Diluted	141,883,762	120,094,804
Net earnings (loss) per share – Basic	0.00	(0.06)
Net earnings (loss) per share - Diluted	0.00	(0.06)

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The exercise of warrants and stock options has been excluded from the calculation of diluted net earnings (loss) per common share at December 31, 2023, and December 31, 2022, as their effect would be anti-dilutive.

16. 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	(563,926)
Balance 31-Dec-2022	**45,810,285**	**0.32**	**5,697,901**
Balance 31-Dec-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.

17. 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.

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	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	6,321,712	0.10	292,590
Exercised	-	-	-
Expired	-	-	-
Forfeited	(4,171,736)	0.21	(677,885)
Balance 31-Dec-2023	**12,971,636**	**0.16**	**1,336,565**

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%
3,680,000	3,540,000	13-Sep-22	13-Sep-27	0.16	446,016	100%	5	0%	3.30%
6,224,974	2,074,991	19-Jul-23	19-Jul-28	0.10	446,331	100%	5	0%	3.85%
12,971,636	**8,681,653**			**0.16**	**1,529,901**	**107%**	**5**	**0%**	**2.99%**

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.

18. Revenue

	31-Dec-2023	31-Dec-2022
Product revenue	12,892,353	15,644,597
Service revenue	405,916	1,450,315
Power revenue	620,032	175,488
	13,918,301	**17,270,400**

19. Direct Costs

	31-Dec-2023	31-Dec-2022
Product costs	10,438,507	10,798,159
Transportation costs	401,063	1,808,026
Storage, processing and spreading costs	715,000	1,029,634
Personnel and contractor costs	300,285	820,459
Repairs and maintenance	157,004	204,700
Plant operations, supplies and materials	500,799	272,099
Equipment rentals	50,962	187,386
	12,563,620	**15,120,463**

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20. Selling, General and Administration

	31-Dec-2023	31-Dec-2022
Personnel and contractor costs	1,485,245	2,000,294
Professional, consulting, and regulatory	550,102	537,254
Office and administrative	412,829	476,537
Marketing, advertising, promotions	14,367	91,840
	2,462,543	**3,105,925**

21. Finance Costs

	31-Dec-2023	31-Dec-2022
Interest on long-term debt	114,936	123,644
Interest on lease liabilities	96,658	43,597
Accretion expense	-	3,407
	211,594	**170,648**

22. Transaction Costs

	31-Dec-2023	31-Dec-2022
Transaction costs[1]	-	525,021
	-	**525,021**

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

23. Other Income and Expense

	31-Dec-2023	31-Dec-2022
Government funding	170,022	191,142
Insurance proceeds	396,191	36,870
Interest income	16,823	14,496
Other	-	50,000
	583,036	**292,508**

24. Related Party Transactions

	31-Dec-2023	31-Dec-2022
Office rent and expenses[1]	1,550	31,300
Fertilizer revenue[1]	3,800,940	707,753
Fertilizer operation expenses[1]	137,790	420,371
Fertilizer inventory[1]	191,344	-
Salaries, wages and benefits[2]	1,040,740	1,401,773
Share-based payment expense[2]	240,129	563,580
	5,412,493	**3,124,777**

[1] The Company incurs expenses from and generates revenues with companies controlled by certain named 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.

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[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.

At December 31, 2023, there was $2,424,430 (2022 – $692,762) of accounts receivable and $2,625 (2022 – $229,775) of accounts payable outstanding related to the above transactions. Subsequent to year end, $760,395 was collected and settled on related party accounts receivable. During the year, the Company settled $804,775 of related party accounts receivable with $804,775 of related party accounts payable to the same related party. Subsequent to year end, the Company settled $670,395 of related party accounts receivable with $670,395 of related party accounts payable to the same related party.

25. Capital Management

	31-Dec-2023		31-Dec-2022	
Current assets	10,928,907		19,712,651	
Current liabilities	(6,980,278)		(16,251,046)	
Net working capital (deficit)	**3,948,629**		**3,461,605**	
Debt	3,047,037		3,498,665	
Lease liabilities	856,699		654,584	
Contingent consideration	3,101,686		5,772,995	
	7,005,422	**31%**	**9,926,244**	**40%**
Shareholders' equity	**15,293,469**	**69%**	**14,916,689**	**60%**
	22,298,891	**100%**	**24,842,933**	**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.

26. 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.

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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	**6,021,038**	6,021,038	-	-	-
Contingent consideration[1]	**3,101,686**	-	3,101,686	-	-
Long-term debt	**3,455,482**	821,306	1,119,136	628,823	886,217
Lease liabilities	**1,046,570**	315,486	527,526	154,058	49,500
Total	**13,439,076**	**7,157,830**	**4,748,348**	**782,881**	**935,717**

[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, 2023, the Company had two customers that comprised greater than 10% of total revenue, with one customer being a related party (2022 – one customer).

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, 2023, if the interest rate increased/decreased by 1% with all other variables held constant, the Company's net income (loss) would have increased/decreased by approximately $30,000 (December 31, 2022 ~ $36,000). 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.

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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, 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, 2023.

27. Segmented Reporting

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 segments the Company tracks revenues, expenses, and profitability metrics for which the Company's chief operating decision maker(s) evaluate performance and allocates resources.

12 Months December 31, 2023	**Fertilizer**	**Power**	**Total**
Revenue	13,298,269	620,032	13,918,301
Direct costs	12,266,583	297,037	12,563,620
Gross profit	**1,031,686**	**322,995**	**1,354,681**
Depreciation	1,921,511	279,077	2,200,588
Selling, general and admin	2,219,759	242,784	2,462,543
Operating expense	**4,141,270**	**521,861**	**4,663,131**
Operating income (loss)	**(3,109,584)**	**(198,866)**	**(3,308,450)**
Non-operating (income) expense	(2,809,372)	24,732	(2,784,640)
Income (loss) before tax	**(300,212)**	**(223,598)**	**(523,810)**

12 Months December 31, 2022	**Fertilizer**	**Power**	**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	2,266,671	839,254	3,105,925
Operating expense	**3,906,091**	**1,103,304**	**5,009,395**
Operating income (loss)	**(1,740,125)**	**(1,119,333)**	**(2,859,458)**
Non-operating (income) expense	3,588,289	1,286,954	4,875,243
Income (loss) before tax	**(5,328,414)**	**(2,406,287)**	**(7,734,701)**

Assets and Liabilities

December 31, 2023	**Fertilizer**	**Power**	**Total**
Current assets	10,734,877	194,030	10,928,907
Property, plant, and equipment	7,884,038	2,021,717	9,905,755
Intangibles	8,573,267	-	8,573,267
Total assets	**27,192,182**	**2,215,747**	**29,407,929**
Current liabilities	3,627,637	3,352,641	6,980,278
Long-term debt and leases	2,687,042	257,454	2,944,496
Contingent consideration	3,101,686	-	3,101,686
Deferred tax liability	1,088,000	-	1,088,000
Total liabilities	**10,504,365**	**3,610,095**	**14,114,460**
Total shareholders' equity	**16,687,817**	**(1,394,348)**	**15,293,469**
Total liabilities and shareholders' equity	**27,192,182**	**2,215,747**	**29,407,929**

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December 31, 2022	**Fertilizer**	**Power**	**Total**
Current assets	19,596,288	116,363	19,712,651
Property, plant, and equipment	6,993,007	2,310,794	9,303,801
Intangibles	9,758,167	-	9,758,167
Total assets	**36,347,462**	**2,427,157**	**38,774,619**
Current liabilities	12,948,722	3,302,324	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	**20,260,021**	**3,597,909**	**23,857,930**
Total shareholders' equity	**16,087,441**	**(1,170,752)**	**14,916,689**
Total liabilities and shareholders' equity	**36,347,462**	**2,427,157**	**38,774,619**

28. 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, 2023 and 2022:

	31-Dec-2023	**31-Dec-2022**
Change in non-cash working capital		
Accounts receivable	(180,716)	(625,744)
Other current assets	(112,899)	7,469
Inventory	6,624,757	(11,000,859)
Accounts payable	(6,221,653)	6,811,126
Total changes related to operating activities	**109,489**	**(4,808,008)**