

Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

EarthRenew Inc. (the “**Company**”)
65 Queen Street West
Suite 900
Toronto, ON M5H 2M5

1.2 Executive Officer

Shawn McMillan
Chief Financial Officer
(780) 860 - 6340

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

The Company acquired all of the issued and outstanding securities of Replenish Nutrients Ltd. (“**Replenish Nutrients**”). Replenish Nutrients is a regenerative fertilizer company that develops innovative soil health products and uniquely combines existing ingredients to offer a complete array of solutions to address regenerative and conventional soil conditions (collectively, the “**Replenish Transaction**”).

2.2 Date of Acquisition

May 1, 2021

2.3 Consideration

The Company acquired the issued and outstanding securities of Replenish Nutrients for an aggregate purchase price of **\$15,683,495.80** (the “**Purchase Price**”) payable by way of:

- \$1,410,000.00 in cash;
- \$5,273,495.81 by the issuance of 21,264,096 common shares; and
- \$9,000,000 of contingent consideration.

The Company utilized cash-on-hand to fund the cash portion of the Purchase Price. The Purchase Price contemplates contingent consideration in the form of: (i) an earn-out payment of up to \$7,000,000.00 aggregate based on the qualifying gross annual revenue of Replenish Nutrients for each fiscal year up to and including that fiscal year which ends on June 30, 2025 (the “**Ongoing Earn-Out**”), and (ii) an earn-out payment of up to \$2,000,000.00 aggregate based on certain sales and gross margin

parameters (the “**Supplemental Earn-Out**”). The Ongoing Earn-Out shall be satisfied by a combination of cash and the issuance of common shares, and the Supplemental Earn-Out shall be satisfied by cash, the issuance of common shares, and delivery of promissory notes.

2.4 Effect on Financial Position

There are no plans or proposals for material changes to the affairs of the acquired business that may have a significant effect on the results of operations and financial position of the Company.

2.5 Prior Valuations

There were no valuation opinions obtained within the last 12 months by Replenish Nutrients, nor were any required by securities legislation or a Canadian exchange or market.

2.6 Parties to Transaction

The Replenish Transaction was not with an informed person, associate, or affiliate.

2.7 Date of Report

July 15, 2021

Item 3 Financial Statements

The following financial statements are attached hereto and form an integral part of this business acquisition report:

- (i) Attached as Schedule "A" hereto, the audited financial statements of Replenish Nutrients and the notes thereto as at and for the year ended December 31, 2020, together with the report of the auditors thereon; and

- (ii) Attached as Schedule "B" hereto, the un-audited interim financial statements of Replenish Nutrients and the notes thereto as at and for the 3-month period ended March 31, 2021.

SCHEDULE "A"
Replenish Nutrients Annual Financial Statements

See attached.

REPLENISH NUTRIENTS LTD.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

(Expressed in Canadian Dollars)

REPLENISH NUTRIENTS LTD.

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December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Replenish Nutrients Ltd.

Opinion

We have audited the financial statements of Replenish Nutrients Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2020, December 31, 2019 and January 1, 2019, and the statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2020 and December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, December 31, 2019 and January 1, 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and December 31, 2019 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$800,628 (2019 - \$335,198) during the year ended December 31, 2020 and has an accumulated deficit of \$2,283,737 (2019 - \$489,463) as at December 31, 2020. As of December 31, 2020, the Company's current liabilities exceed its current assets by \$2,279,855 (2019 - \$486,688). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the 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.

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.

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

Calgary, Alberta
May 11, 2021

Heib & Company
Professional Corporation

Chartered Professional Accountants



REPLENISH NUTRIENTS LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2020	December 31, 2019	January 1, 2019
ASSETS			
CURRENT			
Cash	\$ 150,461	\$ 447,927	\$ 134,361
Accounts receivable (Note 4)	1,710,228	739,313	24,881
Inventory (Note 5)	1,183,638	1,456,150	353,958
Prepaid expenses	11,428	7,500	-
Income tax receivable	357,072	-	46,755
Right-of-use asset (Note 6)	<u>29,885</u>	<u>69,731</u>	<u>-</u>
	3,442,712	2,720,621	559,955
PROPERTY AND EQUIPMENT (Note 7)	<u>2,889,962</u>	<u>185,005</u>	<u>87,198</u>
	<u>\$ 6,332,674</u>	<u>\$ 2,905,626</u>	<u>\$ 647,153</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director _____ Director

See Accompanying Notes



REPLENISH NUTRIENTS LTD.
STATEMENTS OF FINANCIAL POSITION (Continued)
(Expressed in Canadian Dollars)

	December 31, 2020	December 31, 2019	January 1, 2019
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities (Note 8)	\$ 2,970,637	\$ 1,516,651	\$ 167,552
Deferred revenue	54,170	55,177	-
Bank loan (Note 9)	227,129	958,428	229,563
Due to shareholder (Note 10)	1,786,650	541,564	230,200
Due to related party (Note 11)	189,127	-	-
Right-of-use liability (Note 12)	31,214	70,337	-
Current portion of long-term debt (Note 13)	223,317	65,152	44,545
Current portion of capital lease obligation (Note 15)	58,332	-	-
	<u>5,540,576</u>	<u>3,207,309</u>	<u>671,860</u>
LONG-TERM DEBT (Note 13)	1,383,080	187,680	129,458
NOTES PAYABLE (Note 14)	503,785	-	-
CAPITAL LEASE OBLIGATION (Note 15)	<u>56,038</u>	<u>-</u>	<u>-</u>
	<u>7,483,479</u>	<u>3,394,989</u>	<u>801,318</u>
SHAREHOLDERS' DEFICIENCY			
SHARE CAPITAL (Note 16)	30	100	100
PREFERRED SHARES (Note 17)	950,911	-	-
DEFICIT	<u>(2,101,746)</u>	<u>(489,463)</u>	<u>(154,265)</u>
	<u>(1,150,805)</u>	<u>(489,363)</u>	<u>(154,165)</u>
	<u>\$ 6,332,674</u>	<u>\$ 2,905,626</u>	<u>\$ 647,153</u>

See Accompanying Notes

REPLENISH NUTRIENTS LTD.
STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the years ended December 31,

	2020	2019
REVENUE		
Sales of fertilizer	\$ 4,771,050	\$ 1,376,053
Sales of equipment	1,335,145	1,359,275
Spreading services	585,684	477,963
Other income	<u>191,327</u>	<u>993</u>
	6,883,206	3,214,284
COST OF SALES		
Materials	3,995,742	1,736,098
Freight	433,474	379,311
Sub-contracts	<u>88,324</u>	<u>101,957</u>
	<u>4,517,540</u>	<u>2,217,366</u>
GROSS MARGIN (34.4%, 2019 31.0%)	2,365,666	996,918
EXPENSES, Schedule 1	<u>3,102,790</u>	<u>1,326,530</u>
LOSS BEFORE UNDERNOTED ITEMS	<u>(737,124)</u>	<u>(329,612)</u>
OTHER INCOME (EXPENSES)		
Loss on sale of property and equipment	(92,204)	(8,152)
(Loss) gain on foreign exchange	(15,475)	2,566
Loss on settlement of debt (Note 11)	(81,703)	-
Government grant and wage subsidies	<u>307,869</u>	<u>-</u>
	<u>118,487</u>	<u>(5,586)</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (618,637)</u>	<u>\$ (335,198)</u>
LOSS PER SHARE	<u>(0.60)</u>	<u>(33.51)</u>
AVERAGE WEIGHTED NUMBER OF SHARES	<u>512,500</u>	<u>10,000</u>

See Accompanying Notes

REPLENISH NUTRIENTS LTD.
STATEMENTS OF CHANGES IN EQUITY
 (Expressed in Canadian Dollars)
 For the years ended December 31,

	Share capital	Preferred shares	Deficit	Total deficit
Balance, January 1, 2020	\$ 100	\$ -	\$ (489,463)	\$ (489,363)
Net loss for the year	-	-	(618,637)	(618,637)
Cancellation of common shares	(100)	-	-	(100)
Issuance of 950,000 first preferred shares	-	950,000	-	950,000
Issuance of common shares	41	-	-	41
Repurchase of common shares	(11)	-	-	(11)
Issuance of second preferred shares	-	1,470	-	1,470
Repurchase of second preferred shares	-	(559)	-	(559)
Deemed dividends on redemption of second preferred shares	-	-	(37,441)	(37,441)
Deficiency acquired upon amalgamation (Note 23)	-	-	(956,205)	(956,205)
Balance, December 31, 2020	<u>30</u>	<u>950,911</u>	<u>(2,101,746)</u>	<u>(1,150,805)</u>
Balance, January 1, 2019	100	-	(154,265)	(154,165)
Net loss for the year	-	-	(335,198)	(335,198)
Balance, December 31, 2019	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ (489,463)</u>	<u>\$ (489,363)</u>



REPLENISH NUTRIENTS LTD.**STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

For the years ended December 31,

2020

2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 5,438,049	\$ 2,079,632
Cash receipts from other revenue	893,553	477,963
Cash paid to suppliers and employees	(6,028,966)	(3,178,664)
Interest paid	(162,662)	(72,968)
Loss on settlement of debt	(81,703)	-
Gain (loss) on foreign exchange	15,475	(2,566)
Income taxes received	-	46,755
	<u>73,746</u>	<u>(649,848)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Bank loan	(965,614)	728,865
Advances from related party	189,127	-
Repayment of long-term debt	(177,210)	78,829
Proceeds of long-term debt	145,750	-
Increase in notes payable	503,785	-
Repayment of capital lease obligation	(26,624)	-
Proceeds of capital lease obligation	59,403	-
Issuance (redemption) of share capital	(70)	-
Issuance of preferred shares	911	-
Dividends paid	(37,441)	-
	<u>(307,983)</u>	<u>807,694</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Advances from shareholder	306,049	311,364
Purchase of property and equipment	(504,255)	(155,644)
Proceeds on disposal of property and equipment	134,977	-
	<u>(63,229)</u>	<u>155,720</u>

NET (DECREASE) INCREASE IN CASH (297,466) 313,566**CASH, BEGINNING OF YEARS** 447,927 134,361**CASH, END OF YEARS** \$ 150,461 \$ 447,927

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

Replenish Nutrients Ltd. (the "Company") was formed as a result of an amalgamation pursuant to the provisions of the Alberta Business Corporations Act ("ABCA") on July 1, 2020. The amalgamation was between Replenish Nutrients Ltd. ("Replenish") and Waringa Agriculture Canada Inc. ("Waringa") The address of the Company's registered office is 220 Stockton Avenue, Okotoks, Alberta T1S 2C3. The Company services the organic farming and horticultural communities with the unique blend of rock phosphate, elemental sulphur, and compost-based fertilizers. The Company's products are certified for organic inputs by Canadian Organic Standards and the USDA National Organic Program. In addition to organic fertilizer supply, the Company has entered into strategic partnerships that provide the option for seamless product application. The Company also engages in the sale of agricultural machinery to farmers.

These financial statements were approved and authorized for issue by the Board of Directors of the Company on May 11, 2021.

1. GOING CONCERN

As at December 31, 2020, the Company has an accumulated deficit of \$2,283,737 (2019 - \$489,463) and negative working capital of \$2,279,855 (2019 - \$486,688).

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards which assumes that the Company will be able to obtain adequate financing as required and realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and obtain financing arrangements. Without profitable operations and financing arrangements, there is material uncertainty that may cast significant doubt as to whether the Company will have the ability to continue as a going concern. In the event of such, the Company may be unable to realize its assets and discharge its liabilities in the normal course of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with International Financial Reporting Standards. The significant accounting policies are detailed as follows:

(a) Basis of presentation

These financial statements for the years ended December 31, 2020 and 2019 are the first the Company has prepared in accordance with IFRS. Note 3 of the financial statements provides reference on how the Company adopted IFRS.

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities, which are measured at fair value, and are presented in Canadian dollars, which is the Company's functional currency. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(b) Use of estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

Inventory

Judgment is used to allocate production overhead to inventories and to determine net realizable value, including the appropriate measure and inputs of a combination of interrelated demand and supply variables.

Income Tax

The amounts recorded for deferred income tax are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Company utilizing certain tax pools and assets which in turn, is dependent on estimates, as applicable, of changes in legislation, tax rates and interpretations by tax authorities. The availability of tax pools is subject to audit and interpretation by taxation authorities.

(c) Fair value measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(c) Fair value measurement (Continued)**

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(d) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(e) Inventory

Inventories consist of retail inventory and products in varying stages of the production process.

Inventories are valued at the lower of cost and net realizable value. Costs are allocated to inventory using the weighted average cost method and include: direct acquisition costs, direct costs related to units of production and a systematic allocation of fixed and variable production overhead, as applicable.

A write down is recognized if carrying amount exceeds net realizable value and may be reversed if the circumstances which caused it no longer exist.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(f) Leases**

The Company classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The Company classifies leases as right-of-use assets when the terms of the lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It classifies all other leases as operating leases.

The Company applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less and lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(f) Leases (Continued)**

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

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of an asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset if either:
 - i) The Company has the right to operate the asset.
 - ii) The Company designed the asset in a way that predetermines how and for what purpose the asset is used in the business.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether or not it met the criteria above.

(g) Property and equipment

Property and equipment are recorded at cost and are being amortized over their estimated useful lives on a declining balance method. The annual amortization rates are as follows:

Buildings	4%
Machinery and equipment	20%
Other equipment	20-30%
Vehicles	30%
Computer equipment	55%
Building under capital lease	4%
Equipment under capital lease	20%

Property and equipment are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(h) Capital lease obligations**

Assets financed by capital lease obligation are recorded at their value at the inception of the lease with the principal portion of the rental obligation recorded as a long-term liability. Amortization is recorded as outlined in note 15 and the interest portion of the lease payments is expensed as incurred.

(i) Revenue recognition

The Company's fertilizer and equipment revenue transactions consist of a single performance obligation to transfer promised goods. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the fertilizer is shipped from the facility. In accordance with IFRS 15, the Company follows a policy of recognizing sales revenue at the time of delivery of the product and when all the following have occurred: a sales agreement is in place, title and risk of loss have passed, pricing is fixed or determinable, and collection is reasonably assured.

The Company recognizes service revenue related to spreading of fertilizer as the services are completed.

Deposits on contracts are recorded in deferred revenue.

(j) Deferred revenue

Deferred revenue is comprised of deposits received from customers for which the related product has either not been shipped or the contractual commitments have not been met as at period end.

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(k) Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income ("OCI"). Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- a) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- b) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- c) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(k) Income tax (Continued)**

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(l) Research and development costs

The company incurs costs on activities that relate to the research and development of new and existing products. Costs are expensed as they are incurred. Investment tax credits related to the expenditures are accrued as an offset to research and development expense when there is reasonable assurance that the credits will be realized. Investment tax credits are recoverable from the Governments of Canada and Alberta under the Scientific Research and Experimental Development Incentive Programs and are subject to government approval.

(m) Financial instruments

Financial instruments are accounted for, presented, and disclosed in accordance with IFRS 9 Financial Instruments. Upon initial recognition, all financial assets and liabilities are measured at fair value, except for trade receivables that do not contain a significant financing component, which are measured at the transaction price. As a practical expedient, IFRS 15 Revenue from Contracts with Customers permits entities to presume that a trade receivable does not have a significant financing component if the expected term is less than one year.

The measurement amount at initial recognition of a financial asset or financial liability that is not classified as fair value through profit and loss ("FVTPL") is adjusted by transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Transaction costs directly attributable to the acquisition of a financial asset or financial liability that is measured at FVTPL is recognized immediately in profit or loss. Trade receivables that do not have a significant financing component are measured at their transaction price.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(m) Financial instruments (Continued)****Financial assets**

Financial assets are classified and measured based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The classification of the financial asset is determined at the time of initial recognition and is based on the nature and purpose of the financial asset. Subsequent to initial recognition, financial assets are measured based on (i) amortized cost, (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) fair value through profit and loss ("FVTPL").

Definition of amortized cost

A financial asset is classified and measured at amortized cost if it is held by the Company with the objective to collect the contractual cash flows from the asset and if the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Measurement of amortized cost

After initial recognition, the financial asset is measured at amortized cost using the effective interest rate method, except for a trade receivable without a significant financing component, which is measured at its transaction price.

Interest income is recognized using the effective interest rate method.

Definition of fair value through other comprehensive income ("FVTOCI")

A financial asset is classified and measured at FVTOCI when its objective is achieved by both collecting contractual cash flows and by selling the financial asset, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Measurement of fair value through other comprehensive income ("FVTOCI")

After initial recognition, changes in the fair value of the financial assets are recognized in other comprehensive income. Interest income is calculated using the effective interest rate method and impairment gains and losses are recognized immediately in profit and loss.

Definition of fair value through profit and loss ("FVTPL")

A financial asset is classified and measured at FVTPL when it does not qualify for classification and measurement at amortized cost or FVTOCI.

Measurement of fair value through profit and loss ("FVTPL")

After initial recognition, the financial asset is measured at fair value with changes in value recognized through profit and loss.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(m) Financial instruments (Continued)**

The Company's financial assets, classification and measurement for assets measured under fair value through profit and loss include cash. The Company's financial assets, classification and measurement for assets measured under amortized cost include accounts receivable.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Any gain or loss on derecognition is recognized through profit and loss and any fair value changes previously recognized through other comprehensive income and recycled to profit and loss.

Financial liabilities

Debt and equity instruments are accounted for as financial liabilities or as equity based on the substance of the contractual obligation and the definitions of a financial liability and an equity instrument. Financial liabilities are classified and measured as either amortized cost or FVTPL.

Definition of fair value through profit or loss ("FVTPL")

A financial liability is classified and measured as FVTPL when it is designated as FVTPL as discussed below, or when it is held for trading.

A financial liability may be designated as FVTPL when (i) such designation eliminates or significantly reduces an accounting mismatch in the treatment of related or associated financial assets and financial liabilities, (ii) a contract contains one or more embedded derivatives, or (iii) a group of financial liabilities, or a combination of financial assets and liabilities, is managed with its performance evaluated on a fair value basis.

A financial liability is considered to be held for trading if the financial liability has been acquired primarily for the purpose of repurchasing it in the near term; or, if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit taking; or, if it is a derivative that is not designated and effective as hedging instrument.

Measurement of fair value through profit or loss ("FVTPL")

After initial recognition, the financial liability is measured at fair value, with changes in value recognized through profit and loss.

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(m) Financial instruments (Continued)****Definition of amortized cost**

All other liabilities that are not classified and measured as fair value through profit and loss.

Measurement of amortized cost

After initial recognition, the financial liability is measured at amortized cost using the effective interest method.

Interest expense is calculated using the effective interest rate method.

The Company's financial liabilities, classification and measurement for liabilities under amortized cost include accounts payable and accrued liabilities, deferred revenue, and due to related party.

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

(n) Business combinations

The Company accounts for business combinations using the acquisition method as per IFRS 3. The identifiable net assets acquired and the considerations transferred in the acquisition are measured at fair value. Any goodwill that arises is tested for impairment when there is indication of such. Transactions costs are expensed as incurred.

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

These financial statements, for the years ended December 31, 2020 and 2019, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended December 31, 2019, the Company did not issue its financial statements to the public. Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at December 31, 2019. In preparing the financial statements, the Company's opening statement of financial position was prepared as at January 1, 2019, the Company's date of transition to IFRS. There was no impact of adopting these standards to retained earnings at January 1, 2019. There were no adjustments required to the presentation in the opening statement of financial position at January 1, 2019; statement of financial position at December 31, 2019; statements of comprehensive loss, changes in equity and cash flows for the year ended December 31, 2019. Hence, the comparative figures have not been restated as a result of applying the significant accounting policies as noted in Note 2.

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING (Continued)

Exemptions applies

IFRS 1 First time Adoption of International Financial Reporting Standards allows first time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Company has applied the following exemptions:

IFRS 2 Share-based payment has not been applied to equity instruments in share-based payment transactions that were granted on or before April 1, 2016, nor has it been applied to equity instruments that vested before April 1, 2016. For cash settled share-based payment transactions, the Company has not applied IFRS 2 to liabilities that were settled before April 1, 2016.

IFRS 3 Business combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before April 1, 2016. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position.

4. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019	January 1, 2019
Trades payable	\$ 1,635,876	\$ 705,359	\$ 23,381
Government remittances receivable	12,541	33,954	1,500
Government grants receivable	61,811	-	-
	<u>\$ 1,710,228</u>	<u>\$ 739,313</u>	<u>\$ 24,881</u>

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

5. INVENTORY

Inventory consists of fertilizer at various stages of production and inventory held for resale for agricultural services.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Raw Materials	\$ 574,006	\$ -	\$ -
Work in progress	35,824	-	-
Finished goods	309,554	-	-
Inventory held for resale	<u>264,255</u>	<u>1,456,150</u>	<u>353,958</u>
	<u>\$ 1,183,639</u>	<u>\$ 1,456,150</u>	<u>\$ 353,958</u>

The cost of inventories recognized as an expense and included in cost of sales amounted to \$3,995,742 (2019 - \$1,736,098).

6. RIGHT-OF-USE ASSET

Right-of-use assets consists of a lease for the office in Okotoks.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Beginning of year	\$ 69,731	\$ -	\$ -
Additions	-	79,693	-
Depreciation charge for the year	<u>(39,846)</u>	<u>(9,962)</u>	<u>-</u>
End of year	<u>\$ 29,885</u>	<u>\$ 69,731</u>	<u>\$ -</u>

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

7. PROPERTY AND EQUIPMENT

	Cost Jan 1, 2020	Additions	Disposals	Cost Dec 31, 2020
Land	\$ -	\$ 1,266,667	\$ -	\$ 1,266,667
Building	-	644,963	-	644,963
Machinery and equipment	-	1,064,238	(212,906)	851,332
Other equipment	14,700	7,600	-	22,300
Vehicles	288,139	-	(107,121)	181,018
Computer equipment	21,934	930	-	22,864
Building under capital lease	-	245,051	-	245,051
Equipment under capital lease	-	103,603	-	103,603
	<u>\$ 324,773</u>	<u>\$ 3,333,052</u>	<u>\$ (320,027)</u>	<u>\$ 3,337,798</u>

	Cost Jan 1, 2019	Additions	Disposals	Cost Dec 31, 2019
Other equipment	5,677	14,700	(5,677)	14,700
Vehicles	169,129	119,010	-	288,139
Computer equipment	4,741	21,934	(4,741)	21,934
	<u>\$ 179,547</u>	<u>\$ 155,644</u>	<u>\$ (10,418)</u>	<u>\$ 324,773</u>

	Accumulated amortization Jan 1, 2020	Amortization	Disposals	Accumulated amortization Dec 31, 2020
Building	\$ -	\$ 43,533	\$ -	\$ 43,533
Machinery and equipment	-	268,758	-	268,758
Other equipment	2,088	4,945	-	7,033
Vehicles	131,648	35,771	(69,868)	97,551
Computer equipment	6,032	9,002	-	15,034
Building under capital lease	-	5,146	-	5,146
Equipment under capital lease	-	10,781	-	10,781
	<u>\$ 139,768</u>	<u>\$ 377,936</u>	<u>\$ (69,868)</u>	<u>\$ 447,836</u>

	Accumulated Amortization Jan 1, 2019	Amortization	Disposals	Accumulated amortization Dec 31, 2019
Other equipment	2,266	2,088	(2,266)	2,088
Vehicles	90,083	41,565	-	131,648
Computer equipment	-	6,032	-	6,032
	<u>\$ 92,349</u>	<u>\$ 49,685</u>	<u>\$ (2,266)</u>	<u>\$ 139,768</u>



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

7. PROPERTY AND EQUIPMENT (Continued)

Net book value for the assets is as follows:

	December 31, 2020	December 31, 2019	January 1, 2019
Land	\$ 1,266,667	\$ -	\$ -
Building	601,430	-	-
Machinery and equipment	582,575	-	-
Other equipment	15,267	12,612	3,411
Vehicles	83,467	156,491	79,046
Computer equipment	7,830	15,902	4,741
Building under capital lease	239,905	-	-
Equipment under capital lease	92,821	-	-
Net book value	<u>\$ 2,889,962</u>	<u>\$ 185,005</u>	<u>\$ 87,198</u>

Included in 2020 additions to cost are \$1,878,798 and additions to accumulated amortization are \$109,254 which represent the cost of property and equipment and the related accumulated amortization acquired from Replenish as a result of the amalgamation as described in Note 23.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019	January 1, 2019
Trades payable	\$ 1,049,307	\$ 512,738	\$ 141,300
Government remittances payable	16,855	25,558	-
NDW Nutrient Solutions Ltd., a company controlled by a shareholder	1,866,464	894,485	-
Due to directors	-	83,870	-
Ribo Services Inc., a company controlled by a former shareholder	-	-	26,252
Due to former shareholders	38,011	-	-
	<u>\$ 2,970,637</u>	<u>\$ 1,516,651</u>	<u>\$ 167,552</u>

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

9. BANK LOAN

A BMO operating loan has been authorized to a maximum of \$250,000 and bears interest at the bank's prime lending rate plus 1%, due on demand. The loan is subject to the securities and covenants as disclosed in Note 13. The unused credit facility at year end is \$81,804.

Financing from De Lage Landen Financial Services (DLL) has been obtained in regards to financing the purchase of inventory for resale. Credit facility is available upon purchase of new inventory held for resale. The loan is secured by the inventory held for resale and bears interest at BA90 + 5.25%.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
BMO chequing overdraft	\$ 168,196	\$ -	\$ -
DLL	<u>58,933</u>	<u>958,428</u>	<u>229,563</u>
	<u>\$ 227,129</u>	<u>\$ 958,428</u>	<u>\$ 229,563</u>

10. DUE TO SHAREHOLDERS

The amount due to the shareholders bears interest at 6% per annum and is due on demand per the unanimous shareholder agreement signed July 1, 2020. There are no specific repayment terms on the loans and are classified as current liabilities. The loans are secured by a general security agreement consisting of all present and after acquired property of the Company.

Prior to this agreement dated July 1, 2020, the loans were unsecured and non-interest bearing.

11. RELATED PARTY TRANSACTIONS

(a) Advances from related party

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Due to NDW Nutrient Solutions Ltd., a company owned by a shareholder	<u>\$ 189,127</u>	<u>\$ -</u>	<u>\$ -</u>

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

11. RELATED PARTY TRANSACTIONS (Continued)

(b) During the year, the Company made sales of \$667,244 (2019 - \$Nil), made purchases of \$2,708,167 (2019 - \$877,134), paid consulting fees of \$Nil (2019 - \$25,714), paid equipment rental fees of \$104,063 (2019 - \$25,177) and purchased land and building of \$950,000 (2019 - \$Nil) from companies that are commonly controlled by a shareholder.

During the year, the Company paid consulting fees of \$Nil (2019 - \$41,670) and paid for losses on settlement of debt of \$81,703 (2019 - \$Nil) to companies owned by individuals who ceased to be shareholders effective July 1, 2020.

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

12. RIGHT-OF-USE LIABILITY

The Company's lease liabilities consist of the lease agreement for the Company's office premises. The lease term is until September 2021 with an option to renew for two years. When measuring the lease liability, the lease payments are discounted using the Company's weighted average incremental borrowing rate of 7.10%.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Right-of-use lease liability	<u>\$ 31,214</u>	<u>\$ 70,337</u>	<u>\$ -</u>
Total undiscounted future lease payments:			
Less than one year		<u>\$ 32,145</u>	

13. LONG-TERM DEBT

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$2,166 plus interest, due on demand. The loan matures in September 2024.	\$ 97,500	\$ -	\$ -
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$5,574 plus interest, due on demand. The loan matures in September 2024.	<u>250,834</u>	<u>-</u>	<u>-</u>
Carried forward	\$ 348,334	\$ -	\$ -



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

13. LONG-TERM DEBT (Continued)

	December 31, 2020	December 31, 2019	January 1, 2019
Carried forward	\$ 348,334	\$ -	\$ -
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$4,705 plus interest, due on demand. The loan matures in September 2036.	889,411	-	-
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$1,230 plus interest, due on demand. The loan matures in May 2025.	65,219	-	-
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$256 plus interest, due on demand. The loan matures in July 2025.	14,094	-	-
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$843 plus interest, due on demand. The loan matures in July 2023.	26,156	-	-
Ford credit loan bearing interest at 1.99% per annum, repayable in monthly payments of \$913 including interest, due on demand. The loan matured in July 2020.	-	21,474	31,785
RBC credit loan bearing interest at 0% per annum, repayable in monthly payments of \$803 including interest, due on demand. The loan matured in December 2020.	-	23,293	32,932
RBC term loan bearing interest at 4.1% per annum, repayable in monthly payments of \$1,472 including interest, due on demand. The loan is secured by equipment with a net book value of \$71,290. The loan matures in February 2023.	<u>36,856</u>	<u>52,656</u>	<u>67,354</u>
Carried forward	\$ 1,380,070	\$ 97,423	\$ 132,071



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

13. LONG-TERM DEBT (Continued)

	December 31, 2020	December 31, 2019	January 1, 2019
Carried forward	\$ 1,380,070	\$ 97,423	\$ 132,071
Scotia finance loan bearing interest at 0% per annum, repayable in bi-weekly payments of \$358 including interest, due on demand. The loan is secured by vehicle with a net book value of \$12,656. The loan matures in June 2023.	23,295	32,615	41,932
Ford credit loan bearing interest at 3.49% per annum, repayable in monthly payments of \$1,231 including interest, due on demand. The loan is secured by vehicle with a net book value of \$38,375. The loan matures in December 2024.	55,118	67,738	-
Scotia ford finance loan bearing interest at 4.99% per annum, repayable in monthly payments of \$810 including interest, due on demand. The loan is secured by vehicle with a net book value of \$32,436. The loan matures in August 2026.	47,914	55,056	-
CEBA loan of \$100,000 bearing interest at 0% and due on December 31, 2022. If repaid before December 31, 2022, there will be loan forgiveness of \$30,000.	100,000	-	-
	1,606,397	252,832	174,003
Less current portion	223,317	65,152	44,545
	<u>\$ 1,383,080</u>	<u>\$ 187,680</u>	<u>\$ 129,458</u>

The Company is authorized for banking facilities from BMO to a maximum of \$2,360,000 as follows:

- Asset and capital financing loan to a maximum of \$1,100,000 for the purchase of new or used equipment
- Real estate financing loan to a maximum of \$960,000 for the purchase of land and building
- Operating demand loan to a maximum of \$250,000
- Credit card limit to a maximum of \$50,000



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

13. LONG-TERM DEBT (Continued)

All BMO loans are secured by a registered first mortgage in the amount of \$1,200,000 on the existing land and building with a net book value of \$1,186,905 and personal guarantees from all directors in the amount of \$2,360,000. All loans are required to comply with the same covenants of a debt service coverage ratio of greater than or equal to 1.25. In addition, a loss of customer who accounts for greater than 10% of sales will be reported to the bank, and non-BMO debt is not to exceed \$75,000 without prior BMO consent. As at December 31, 2020, the Company was not in compliance with the debt service coverage ratio and is subject to a breach fee of \$2,500.

Principal payments are as follows:

2021	\$ 223,317
2022	324,832
2023	202,912
2024	166,780
2025	73,135
Thereafter	<u>615,421</u>
	<u>\$ 1,606,397</u>

14. NOTES PAYABLE

The amount owing consists of two notes payable in the amounts of \$314,385 and \$189,400. The notes bear interest at 4% per annum and are to be repaid in 8 equal quarterly principal installments of \$39,298 and \$23,675 respectively commencing October 1, 2020.

As at the date of the auditor's report, management is in discussion with the notes payable holders on new terms to settle the balances owing; hence a current portion of the balances owing has not been disclosed separately.

15. CAPITAL LEASE OBLIGATION

	<u>December 31,</u> 2020	<u>December 31,</u> 2019	<u>January 1,</u> 2019
Capital lease contract with equipment pledged as security, repayable in monthly instalments of \$2,010 including interest at 8.54% per annum with a purchase option of fair value at maturity in August 2021	\$ 32,018	\$ -	\$ -
Carried forward	\$ 32,018	\$ -	\$ -



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

15. CAPITAL LEASE OBLIGATION (Continued)

	December 31, 2020	December 31, 2019	January 1, 2019
Carried forward	\$ 32,018	\$ -	\$ -
Capital lease contract with coverall building pledged as security, repayable in monthly instalments of \$2,977 including interest at 10% per annum with a purchase option of fair value at maturity in May 2022.	22,949	-	-
Capital lease contract with equipment pledged as security, repayable in monthly instalments of \$1,440 including interest at 7.65% per annum with a purchase option of fair market value at maturity in December 2024.	59,403	-	-
	114,370	-	-
Less current portion	58,332	-	-
	<u>\$ 56,038</u>	<u>\$ -</u>	<u>\$ -</u>

Imputed interest expense related to capital lease obligations amounted to \$5,926 during the year.

Estimated lease payments are as follows:

2021	\$ 65,223
2022	27,335
2023	17,285
2024	17,285
	<u>127,128</u>
Total future minimum lease payments	127,128
Less amount representing interest	12,758
	<u>114,370</u>
Present value of minimum net lease payments	114,370
Less current portion	58,332
	<u>\$ 56,038</u>

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

15. CAPITAL LEASE OBLIGATION (Continued)

Principal payments are as follows:

2021	\$	58,332
2022		24,076
2023		15,372
2024		<u>16,590</u>
	\$	<u>114,370</u>

16. SHARE CAPITAL**Authorized:**

Unlimited number of Class A voting shares
Unlimited number of Class B voting shares
Unlimited number of Class C non-voting, common shares
Unlimited number of Class D non-voting common shares

Issued:

	December 31, 2020	December 31, 2019	January 1, 2019
10,000 Class A voting common shares	\$ -	\$ 100	\$ 100
1,500 Class B voting common shares	15	-	-
930 Class C non-voting common shares	9	-	-
570 Class D non-voting common shares	<u>6</u>	<u>-</u>	<u>-</u>
	<u>\$ 30</u>	<u>\$ 100</u>	<u>\$ 100</u>

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

16. SHARE CAPITAL (Continued)

On July 1, 2020, Replenish entered into an amalgamation agreement with Waringa. The 10,000 outstanding Class A shares of Waringa and 1,500 outstanding Class A shares of Replenish were cancelled and new share capital was issued. The Company issued 2,070 Class B voting shares, 1,500 Class C non-voting shares, 570 Class D non-voting shares, and 100,000 second preferred non-voting shares under the amalgamation agreement.

On July 1, 2020, the Company entered into a share repurchase agreement with 1468478 Alberta Ltd. to repurchase 285 Class B voting shares, 285 Class C non-voting shares, and 19,000 second preferred non-voting shares for a total consideration of \$19,006, and to repay the shareholder loans of 1468478 Alberta Ltd. in the amount of \$314,385 under the form of a note payable described in Note 14. A deemed dividend of \$18,720 resulted from the redemption of the preferred shares.

On July 1, 2020, the Company entered into a share repurchase agreement with Fresh Earth Farms Inc. to repurchase 285 Class B voting shares, 285 Class C non-voting shares, and 19,000 second preferred non-voting shares for a total consideration of \$19,006, and to repay the shareholder loans of 1468478 Alberta Ltd. in the amount of \$189,400 under the form of a note payable described in Note 14. A deemed dividend of \$18,720 resulted from the redemption of the preferred shares.

17. PREFERRED SHARES**Authorized:**

Unlimited number of first preferred non-voting shares
Unlimited number of second preferred non-voting shares
Unlimited number of third preferred non-voting shares

Issued:

	December 31, 2020	December 31, 2019	January 1, 2019
950,000 first preferred non-voting shares, redeemable at \$1 each	\$ 950,000	\$ -	\$ -
62,000 second preferred non-voting shares, redeemable at \$1 each	911	-	-
	<u>\$ 950,911</u>	<u>\$ -</u>	<u>\$ -</u>

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

17. PREFERRED SHARES (Continued)

On June 30, 2020, the Company entered into a purchase of land and building agreement with 2143596 Alberta Ltd., a shareholder company. For the acquisition of the land and building, the Company issued 950,000 first preferred non-voting shares at \$1 per share for a total consideration of \$950,000.

On July 1, 2020, Replenish entered into an amalgamation agreement with Waringa. The 10,000 outstanding Class A shares of Waringa and 1,500 outstanding Class A shares of Replenish were cancelled and new share capital was issued. The Company issued 2,070 Class B voting shares, 1,500 Class C non-voting shares, 570 Class D non-voting shares, and 100,000 second preferred non-voting shares under the amalgamation agreement.

On July 1, 2020, the Company entered into a share repurchase agreement with 1468478 Alberta Ltd. to repurchase 285 Class B voting shares, 285 Class C non-voting shares, and 19,000 second preferred non-voting shares for a total consideration of \$19,006, and to repay the shareholder loans of 1468478 Alberta Ltd. in the amount of \$314,385 under the form of a note payable described in Note 14. A deemed dividend of \$18,720 resulted from the redemption of the preferred shares.

On July 1, 2020, the Company entered into a share repurchase agreement with Fresh Earth Farms Inc. to repurchase 285 Class B voting shares, 285 Class C non-voting shares, and 19,000 second preferred non-voting shares for a total consideration of \$19,006, and to repay the shareholder loans of 1468478 Alberta Ltd. in the amount of \$189,400 under the form of a note payable described in Note 14. A deemed dividend of \$18,720 resulted from the redemption of the preferred shares.

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

18. INCOME TAX

The income tax recovery reported differs from the amount which would be obtained by applying the statutory income tax rate of 23% (2019 - 23%) to the loss for the years as follows:

	<u>2020</u>	<u>2019</u>
Loss before income taxes	\$ <u>(618,637)</u>	\$ <u>(335,198)</u>
Anticipated income tax recovery	\$ (142,287)	\$ (77,096)
Tax effect of the following:		
Non-deductible items	406,698	15,889
Deductible items	(200,242)	(16,417)
Benefit of income tax loss carry-forwards not previously recognized	(64,169)	-
Unrecorded future tax benefit	<u>-</u>	<u>77,624</u>
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>

- (a) For income tax purposes, the company has non-capital losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

2039	\$ 376,721
2040	<u>1,336,610</u>
	<u>\$ 1,713,331</u>

19. ECONOMIC UNCERTAINTY

On January 30, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have caused and will continue to cause significant disruption to business operations and a significant increase in economic uncertainty. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates, and assumptions at period end have been reflected in the financial statements.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for the business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Company's future operations.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

20. SEGMENT INFORMATION

Operating segments are components of the Company where separate financial information is available that is evaluated and determined regularly by management. As of December 31, 2020, the Company has two reportable segments, being fertilizer sales and equipment sales.

Equipment sales involves the purchase and resale of agricultural equipment to consumers.

Fertilizer sales involves the production of compost based fertilizers for sale to agricultural farmers.

Segment information is summarized as follows:

Net loss for the year ended December 31, 2020:

	<u>Fertilizer sales</u>	<u>Equipment sales</u>	<u>Total</u>
Revenues	\$ 5,548,062	\$ 1,335,145	\$ 6,883,207
Cost of sales	(3,478,293)	(1,039,247)	(4,517,540)
Amortization	(270,800)	(54,287)	(325,087)
Other income	94,170	24,317	118,487
Expenses	<u>(1,855,213)</u>	<u>(922,491)</u>	<u>(2,777,704)</u>
Operating income (loss)	<u>\$ 37,926</u>	<u>\$ (656,563)</u>	<u>\$ (618,637)</u>

Net loss for the year ended December 31, 2019:

	<u>Fertilizer sales</u>	<u>Equipment sales</u>	<u>Total</u>
Revenues	\$ 1,854,015	\$ 1,360,270	\$ 3,214,285
Cost of sales	(1,329,415)	(887,951)	(2,217,366)
Amortization	-	(59,646)	(59,646)
Expenses	(331,113)	(935,772)	(1,266,885)
Other expenses	<u>-</u>	<u>(5,586)</u>	<u>(5,586)</u>
Operating income (loss)	<u>\$ 193,487</u>	<u>\$ (528,685)</u>	<u>\$ (335,198)</u>

Given the interconnectedness of the operations between fertilizer and equipment sales, it is not practical to determine the amounts of assets and liabilities that relate to each segment other than those indicated in inventory in Note 5.

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

21. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure at year end:

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to currency risk and interest rate risk.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on payables and purchases from US suppliers.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through its long-term debt of \$1,343,214 (2019 - \$Nil) and bank indebtedness of \$227,129 (2019 - \$958,428). Changes in the prime interest rate may cause fluctuations in cash flow and interest expense.

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk.

(e) Foreign exchange risk

The Company is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer, or that an obligation in a foreign currency was made to the Company to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company does not utilize hedging or other financial instruments to manage its foreign exchange risk. In the opinion of management, the foreign exchange risk exposure to the Company is low and is not material.



REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

21. FINANCIAL INSTRUMENTS (Continued)**(f) Credit risk**

The Company does have credit risk in accounts receivable of \$1,710,228 (2019 - \$739,313). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The company maintains strict credit policies and limits in respect to counterparties. There is a concentration of credit risk in that receivable balances from three customers compose 50% (2019 - 45%) of total receivables at year end. In the opinion of management, the credit risk exposure to the Company is low and is not material.

(g) Liquidity risk

The Company does have a liquidity risk in the accounts payable and accrued liabilities of \$2,970,637 (2019 - \$1,516,651). Liquidity risk is the risk that the company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due.

22. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to provide an adequate return to shareholders through strategic and innovative product and service development and to comply with externally imposed capital requirements as disclosed in Note 13.

The capital of the Company consists of all components of its equity, note payable, capital leases and long-term debt.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Management is of the opinion that market for the Company's innovative products will continue to grow and generate sustainable revenues. Apart from the requirement to maintain a debt service coverage ratio of greater than or equal to 1:25 effective July 1, 2020 as a result of the amalgamation, there were no major changes to the Company's approach to capital management during the year.

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

23. AMALGAMATION

On July 1, 2020, Waringa, the acquirer was amalgamated under the provisions of the ABCA with Replenish, the acquiree, a company under common control. The amalgamated company is operating as Replenish Nutrients Ltd. Replenish was engaged in the production and sale of fertilizers. Waringa was 100% controlled by one shareholder as at June 30, 2020. The same shareholder had 19% ownership of Replenish. No one shareholder held control of Replenish. As of the corporate amalgamation between the companies, the controlling shareholder of Waringa came to hold 57% of the voting shares of the amalgamated corporation. The reason for the business acquisition was to combine Waringa's customer base and fertilizer spreading operations with the manufacturing capabilities of Replenish.

The amalgamation transaction between related parties has been recorded at carrying values as reported on each company's respective financial statements as at June 30, 2020. As such, there has been no goodwill recorded on the amalgamation transaction.

The comparative figures have not been presented on an amalgamated basis as these would not provide meaningful information.

The balance sheet of Replenish as at June 30, 2020 was as follows:

REPLENISH NUTRIENTS LTD.**NOTES TO FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and 2019

23. AMALGAMATION (Continued)

Assets	
Cash	\$ 3,565
Accounts receivable	135,227
Due from Waringa Agriculture Canada Inc.	45,594
Inventory	467,783
Property and equipment (net of accumulated amortization of \$109,255)	1,769,543
Income taxes receivable	<u>114,417</u>
	<u>\$ 2,536,129</u>
Liabilities	
Accounts payable	\$ 299,700
Unearned revenue	20,000
Due to shareholders	1,481,200
Bank indebtedness	223,316
Long term debt	1,385,027
Capital lease obligations	<u>81,591</u>
	<u>3,490,834</u>
Shareholders' deficiency	
Share capital	1,500
Deficit	<u>(956,205)</u>
	<u>(954,705)</u>
	<u>\$ 2,536,129</u>

The fair value of the receivables is \$135,227 and the full amount was expected to be collectable at acquisition date.

REPLENISH NUTRIENTS LTD.**SCHEDULES 1 - EXPENSES**

(Expressed in Canadian Dollars)

For the years ended December 31,

2020

2019

	2020	2019
Advertising and promotion	\$ 113,560	\$ 126,278
Amortization	325,087	59,646
Automotive	28,829	6,421
Bad debts	-	13,189
Commissions	104,415	48,921
Consulting fees	94,552	87,384
Equipment rental	115,126	70,448
Freight	20,697	-
Insurance	21,868	16,086
Interest and bank charges	126,703	68,410
Interest on long-term debt	35,958	4,558
Office	36,186	56,268
Professional fees	250,160	25,443
Property tax	10,195	-
Rent	38,740	17,587
Repairs and maintenance	75,597	77,600
Research and development	598,423	-
Salaries and related benefits	1,058,928	513,825
Telephone and utilities	10,694	14,246
Travel	27,795	120,220
Utilities	9,277	-
	<u>\$ 3,102,790</u>	<u>\$ 1,326,530</u>

SCHEDULE "B"
Replenish Nutrients Interim Financial Statements

See attached.

REPLENISH NUTRIENTS LTD

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

**(Expressed in Canadian dollars)
(unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements, in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

REPLENISH NUTRIENTS LTD
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars-unaudited)

	Note	March 31, 2021	December 31, 2020
ASSETS			
Current			
Cash		\$ 9,390	\$ 150,461
Accounts Receivable	3	1,421,973	1,710,228
Inventory	4	1,428,978	1,183,638
Prepaid expenses		10,883	11,428
Income tax receivable		-	357,072
Right-of-use asset	5	19,923	29,885
Total current assets		2,891,147	3,442,712
Non-current			
Property and equipment	6	2,965,627	2,889,962
TOTAL ASSETS		\$ 5,856,774	\$ 6,332,674
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7	\$ 2,236,210	\$ 2,970,637
Deferred revenue		103,420	54,170
Bank loan	8	217,709	227,129
Due to shareholder	9	2,743,994	1,786,650
Due to related party	11	-	189,127
Right-of-use liability	10	20,993	31,214
Current portion of long-term debt	12	224,010	223,317
Current portion of capital lease obligation	14	81,567	58,332
Total current liabilities		5,627,904	5,540,576
Non-current liabilities			
Long-term debt	12	1,326,782	1,383,080
Notes payable	13	503,785	503,785
Capital lease obligations	14	176,509	56,038
TOTAL LIABILITIES		7,634,980	7,483,479
EQUITY			
Share Capital	15	30	30
Preferred shares	16	950,911	950,911
Deficit		(2,729,147)	(2,101,746)
TOTAL EQUITY		(1,778,206)	(1,150,805)
TOTAL LIABILITIES AND EQUITY		\$ 5,856,774	\$ 6,332,674
Nature of operations and going concern	1		
Commitments and contingencies	19		
Subsequent Events	20		

Approved on behalf of the Directors:

"Neil Wiens"

Director

"Gerard Philpott"

Director

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

REPLENISH NUTRIENTS LTD
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars-unaudited)

For the 3 month period ended March 31	Note	2021
REVENUE		
Sales of fertilizer		1,804,754
Sales of equipment		24,250
Spreading services		46,995
Other income		16,848
		<u>1,892,847</u>
COST OF SALES		
Materials		788,504
Freight		266,057
Sub-Contracts		92,155
		<u>1,146,717</u>
GROSS MARGIN		746,131
EXPENSES, Schedule 1		1,367,447
LOSS BEFORE UNDERNOTED ITEMS		(621,316)
OTHER INCOME (EXPENSES)		
Loss of sale of property and equipment		(6,329)
(Loss) gain on foreign exchange		243
		<u>(6,086)</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(627,402)

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

REPLENISH NUTRIENTS LTD
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars-unaudited)
For the 3 month period ended March 31

	Share capital	Preferred shares	Deficit	Total deficit
Balance, January 1, 2021	\$ 30	\$ 950,911	\$ (2,101,746)	\$ (1,150,805)
Net loss for the period			(627,402)	(627,402)
Balance, March 31, 2021	\$ 30	\$ 950,911	\$ (2,729,148)	\$ (1,778,207)

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

REPLENISH NUTRIENTS LTD
STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars-unaudited)

For the 3 month period ended March 31 Note 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss)		(627,402)
Items not affecting cash:		
Amortization	6	103,391
Loss of sale of property and equipment	6	6,329
Change in non-cash working capital items:		
Accounts receivable		288,256
Inventory		(245,340)
Prepaid Expense		545
Income tax receivable		357,072
Accounts payable and accrued liabilities		(734,427)
Deferred revenue		49,250
Due to related party	11	(189,127)
Net cash (used in) operating activities		(991,454)

FINANCING ACTIVITIES

Loan payments	12	(65,025)
Right to use lease payments	10	(10,221)
Capital lease payments	14	(22,994)
Proceeds from Capital Leases	14	166,700
Net cash provided by financing activities		68,461

INVESTING ACTIVITIES

Advances from shareholders	9	957,344
Purchase of property and equipment	6	(175,422)
Proceeds on disposal of property and equipment	6	-
Net cash provided by investing activities		781,922

INCREASE (DECREASE) IN CASH DURING THE PERIOD **(141,071)**

CASH - BEGINNING OF PERIOD 150,461

CASH - END OF PERIOD **9,390**

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

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021

(Expressed in Canadian dollars- unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Replenish Nutrients Ltd. (the "Company") was formed as a result of an amalgamation pursuant to the provisions of the Alberta Business Corporations Act ("ABCA") on July 1, 2020. The amalgamation was between Replenish Nutrients Ltd. ("Replenish") and Waringa Agriculture Canada Inc. ("Waringa") The address of the Company's registered office is 220 Stockton Avenue, Okotoks, Alberta T1S 2C3. The Company services the organic farming and horticultural communities with the unique blend of rock phosphate, elemental sulphur, and compost-based fertilizers. The Company's products are certified for organic inputs by Canadian Organic Standards and the USDA National Organic Program. In addition to organic fertilizer supply, the Company has entered strategic partnerships that provide the option for seamless product application. The Company also engages in the sale of agricultural machinery to farmers.

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

As at March 31, 2021, the Company has working capital deficit of \$(2,736,756) (December 31, 2020 – \$(2,097,864)) and continuing losses, with an accumulated deficit of \$1,778,206 (December 31, 2020 - \$1,150,805). These matters represent material uncertainties that cast significant doubt as to the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon its ability to obtain the necessary debt and equity financing to continue operations, and its ability to attain profitable operations. Replenish may periodically have to raise additional capital to fund projects and continue operations and while it has been successful in doing so in the past, there can be no assurance the Company will be able to do so in the future.

Novel Coronavirus ("COVID-19")

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with accounting policies based on International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations. The policies set out in the Company's annual financial statements for the year ended December 31, 2020 were consistently applied to all the periods presented unless otherwise noted below. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 21, 2021.

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021

(Expressed in Canadian dollars- unaudited)

2. BASIS OF PRESENTATION (continued)

b) Basis of preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at their fair values. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies, which are outlined in the Company's annual audited financial statements for the year ended December 31, 2020.

c) New and future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2021 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

Standards and amendments to be adopted:

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier adoption is permitted.

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

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

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

The Company will adopt these amendments as of their effective dates and is currently assessing their impacts on adoption.

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021

(Expressed in Canadian dollars- unaudited)

2. BASIS OF PRESENTATION (continued)

d) Principles of consolidation

(i) Subsidiaries

All entities in which the Company has a controlling interest are fully consolidated from the date that control commences until the date that control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At March 31, 2021, the Company has one subsidiary, EarthRenew Strathmore Inc.

(ii) Transactions eliminated on consolidation

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

e) Significant accounting judgments, estimates and assumptions

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

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

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

- Assets' carrying values and impairment charges

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

- Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events, which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

- Depreciation rates

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

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021

(Expressed in Canadian dollars- unaudited)

2. BASIS OF PRESENTATION (continued)

e) Significant accounting judgments, estimates and assumptions (continued)

- Inventory

Judgment is used to allocate production overhead to inventories and to determine net realizable value, including the appropriate measure and inputs of a combination of interrelated demand and supply variables.

- Income taxes, value added, withholding and other taxes

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

- Discount rate used in adoption of IFRS 16

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

- Expected credit losses

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

f) Significant accounting policies

The Company's accounting policies and its standards of financial disclosure set out below are in accordance with IFRS and have been applied consistently throughout the periods presented in these condensed interim consolidated financial statements, unless otherwise stated.

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

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2. BASIS OF PRESENTATION (continued)

Functional and presentation currency

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

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

3. ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020
Trades receivable	\$ 1,354,010	\$ 1,635,876
Government remittances receivable	37,963	12,541
Government grants receivable	30,000	61,811
	<u>\$ 1,421,973</u>	<u>\$ 1,710,228</u>

4. INVENTORY

Inventory consists of fertilizer at various stages of production and inventory held for resale for agricultural services.

	March 31, 2021	December 31, 2020
Raw materials	\$ 973,430	\$ 574,006
Work in progress	8,889	35,824
Finished goods	212,579	309,554
Inventory held for resale	234,080	264,255
	<u>\$ 1,428,978</u>	<u>\$ 1,183,639</u>

The cost of inventories recognized as an expense and included in cost of sales amounted to \$1,022,560.

REPLENISH NUTRIENTS LTD.

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5. RIGHT-OF-USE ASSET

Right-of-use assets consists of a lease for the office in Okotoks.

	March 31, 2021
Beginning of period	\$ 29,885
Additions	-
Depreciation charge for the period	(9,962)
End of period	\$ 19,923

6. PLANT AND EQUIPMENT

A reconciliation of the carrying amount for the three months ended March 31, 2021 and year ended December 31, 2020 is as follows:

	Land	Building	Machinery and equipment	Other equipment	Vehicles	Computer equipment	Building under capital lease	Equipment under capital lease	Total
Cost as at December 31, 2020	1,266,667	644,963	851,332	22,300	181,018	22,864	245,051	103,603	3,337,798
Additions	-	-	5,000	-	-	-	3,722	166,700	175,422
Disposals	-	-	(19,129)	-	-	-	-	-	(19,129)
Cost at March 31, 2021	1,266,667	644,963	837,203	22,300	181,018	22,864	248,773	270,303	3,494,091
Accumulated Depreciation									
Balance at December 31, 2020	-	43,533	268,758	7,033	97,551	15,034	5,146	10,781	447,836
Change for period	-	12,899	64,199	1,476	0	2,858	5,827	6,171	93,429
Disposals	-	-	(12,800)	-	-	-	-	-	(12,800)
Balance at March 31, 2021	-	56,432	320,157	8,509	97,551	17,892	10,973	16,952	528,466
Net book value at December 31, 2020	1,266,667	601,430	582,574	15,267	83,467	7,830	239,905	92,822	2,889,962
Net book value at March 31, 2021	1,266,667	588,531	517,047	13,791	83,467	4,972	237,800	253,351	2,965,626

All of the Company's plant and equipment is domiciled in Canada.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
Trades payable	\$ 1,588,337	\$ 1,049,307
Government remittances	72	16,855
NDW Nutrient Solutions Ltd, a company controlled by a shareholder	609,790	1,866,464
Due to former shareholders	38,011	38,011
	<u>\$ 2,236,210</u>	<u>\$ 2,970,637</u>

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

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8. BANK LOAN

A BMO operating loan has been authorized to a maximum of \$250,000 and bears interest at the bank's prime lending rate plus 1%, due on demand. The loan is subject to the securities and covenants as disclosed in Note 13. The unused credit facility at March 31, 2021 is 32,290.

Financing from De Lang Landen Financial Service (DLL) was repaid and agreement terminated in the period.

	March 31, 2021	December 31, 2020
BMO chequing overdraft	\$ 217,709	\$ 168,196
DLL	-	58,933
	<u>\$ 217,709</u>	<u>\$ 227,129</u>

9. DUE TO SHAREHOLDERS

The amount due to the shareholders bears interest at 6% per annum and is due on demand per the unanimous shareholder agreement signed July 1, 2020. There are no specific repayment terms on the loans and are classified as current liabilities. The loans are secured by a general security agreement consisting of all present and after acquired property of the Company.

10. RIGHT-OF-USE LIABILITIES

Upon the adoption of IFRS 16, operating leases were reassessed as Right-of use liabilities for right-of-use assets using an estimated discount rate of 7.10%. The Company has lease agreements in place for office premises. The Company is party to an agreement to lease office space with a lease term until September 2021.

	March 31, 2021	December 31, 2020
Right-of-use liability	<u>\$ 20,993</u>	<u>\$ 31,214</u>
Total undiscounted future lease payments:		
Less than one year:	<u>\$ 21,430</u>	

11. RELATED PARTY TRANSACTIONS

- (a) Advances from related parties, NDW Nutrient Solutions Ltd (a company controller by a shareholder, was \$Nil at March 31, 2021 (\$189,127 – December 31, 2020).
- (b) During the period the Company made sales of \$24,300, made purchases of \$156,754, paid equipment rental fees of \$30,462 from companies that are commonly controlled by a shareholder.

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

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

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12. LONG-TERM DEBT

	March 31, 2021	December 31, 2020
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$2,166 plus interest, due on demand. The loan matures in September 2024	\$ 91,000	\$ 97,500
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$5,574 plus interest, due on demand. The loan matures in September 2024	\$ 234,111	250,834
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$4,705 plus interest, due on demand. The loan matures in September 2036	\$ 875,294	889,411
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$1,230 plus interest, due on demand. The loan matures in May 2025	\$ 61,527	65,219
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$256 plus interest, due on demand. The loan matures in July 2025	\$ 13,325	14,094
BMO loan bearing interest at prime plus 1% per annum, repayable in monthly payments of \$843 plus interest, due on demand. The loan matures in July 2023	\$ 23,625	26,156
RBC term loan bearing interest at 4.1% per annum, repayable in monthly payments of \$1,472 including interest, due on demand. The loan is secured by equipment with a net book value of \$71,290. The loan matures in February 2023.	\$ 32,799	36,856
Scotia finance loan bearing interest at 0% per annum, repayable in bi-weekly payment of \$358 including interest, due on demand. The loan is secured by vehicle with a net book value of \$12,656. The loan matures in Jun 2023	\$ 21,145	23,295
Ford credit loan bearing interest at 3.49% per annum, repayable in monthly payments of \$1,231 including interest, due on demand. The loan is secured by vehicle with a net book value of \$38,375. The loan matures in December 2024	\$ 51,894	55,118
Scotia ford finance loan bearing interest at 4.99% per annum, repayable in monthly payments of \$810 including interest, due on demand. The loan is secured by vehicle with a net book value of \$32,436. The loan matures in August 2026.	\$ 46,072	47,914
CEBA loan of \$100,000 bearing interest at 0% and due on December 31, 2022. If repaid before December 31, 2022, there will be a loan forgiveness of \$30,000.	100,000	100,000
	1,550,792	1,606,397
Less current portion	228,752	223,317
	<u>\$ 1,322,040</u>	<u>\$ 1,383,080</u>

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021

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12. LONG-TERM DEBT (continued)

The company is authorized for banking facilities from BMO to a maximum of \$2,360,000 as follows:

- Asset and capital financing loan to a maximum of \$1,100,000 for the purchase of new or used equipment
- Real estate financing loan to a maximum of \$960,000 for the purchase of land and building
- Operating demand loan to a maximum of \$250,000
- Credit card limit to a maximum of \$50,000

All BMO loans are secured by a registered first mortgage in the amount of \$1,200,000 on the existing land and building with a net book value of \$1,186,905 and personal guarantees from all directors in the amount of \$2,360,000. All loans are required to comply with the same covenants of a debt service coverage of greater than or equal to 1.25. In addition, a loss of customer who accounts for greater than 10% of sales will be reported to the bank, and non-BMO debt is not to exceed \$75,000 without prior consent. As at March 31, 2021 the Company was not in compliance with the debt service coverage ratio.

Principal Payments are as follows:

2021	\$ 171,743
2022	328,752
2023	204,150
2024	164,974
2025	74,064
Thereafter	<u>607,109</u>
	<u>\$ 1,550,792</u>

13. NOTES PAYABLE

The amount owing consists of two notes payable in the amounts of \$314,385 and \$189,400. The notes bear interest at 4% per annum and are to be repaid in 8 equal quarterly principal installments of \$39,298 and \$23,675 respectively commencing October 31, 2020.

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021

(Expressed in Canadian dollars- unaudited)

14. CAPITAL LEASE OBLIGATIONS

	March 31, 2021	December 31, 2020
Capital Lease contract with equipment pledged as security, repayable in monthly installments of \$2,010 including interest at 8.54% per annum with a purchase option of fair value at maturity in August 2021	\$ 26,653	\$ 32,018
Capital lease contract with coverall building pledged as security, repayable in monthly instalments of \$2,977 including interest at 10% per annum with an purchase option of fair value at maturity May 2022	14,521	22,949
Capital lease contract with equipment pledged as security, repayable in monthly installments of \$1,440 including interest at 7.65% per annum with a purchase option of fair market value at maturity in December 2024	56,197	59,403
Capital lease contract with equipment pledged as security, repayable in monthly installments of \$1,698 including interest at 5.0% per annum with a purchase option of fair market value at maturity in March 2026	80,803	-
Capital lease contract with equipment pledged as security, repayable in monthly installments of \$2,209 including interest at 12.9% per annum with a purchase option of fair market value at maturity in January 2025	79,902	-
	<u>258,076</u>	<u>114,370</u>
Less current portion	58,332	58,332
	<u>\$ 199,744</u>	<u>\$ 56,038</u>

Imputed interest expense related to capital lease obligations amounted to \$ during the period.

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

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14. CAPITAL LEASE OBLIGATIONS (continued)

Estimated Lease payments are as follows:

2021	\$ 83,125
2022	76,243
2023	66,194
2024	66,195
2025	24,610
Thereafter	3,396
Total future minimum lease payments	319,764
Less amount representing interest	61,688
Present value of minimum net lease payments	258,076
Less current portion	58,332
	<u>\$ 199,744</u>

Principal payments are as follows:

2021	\$ 63,115
2022	57,677
2023	52,926
2024	59,661
2025	21,329
Thereafter	3,368
	<u>\$ 258,076</u>

15. SHARE CAPITAL

Authorized

Unlimited number of Class A voting shares

Unlimited number of Class B voting shares

Unlimited number of Class C non-voting, common shares

Unlimited number of Class D non-voting, common shares

Issued and outstanding common shares

	March 31, 2021	December 31, 2020
10,000 Class A voting common shares	\$ -	\$ -
1,500 Class B voting common shares	15	15
930 Class C Non-voting common shares	9	9
570 Class D Non-voting common shares	6	6
	<u>\$ 30</u>	<u>\$ 30</u>

REPLENISH NUTRIENTS LTD.

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16. PREFERRED SHARES

Authorized

Unlimited number of first preferred non-voting shares
Unlimited number of second preferred non-voting shares
Unlimited number of third preferred non-voting shares

Issued:

	March 31, 2021	December 31, 2020
950,000 first preferred non-voting shares, redeemable at \$1 each	\$ 950,000	\$ 950,000
62,000 second preferred non-voting shares, redeemable at \$1 each	<u>911</u>	<u>911</u>
	<u>\$ 950,911</u>	<u>\$ 950,911</u>

17. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including market risk (including currency, commodity and cash flow interest rate risk), credit risk, and liquidity risk.

Fair value hierarchy

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

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

The carrying value of cash, receivables, accounts payable and accrued liabilities reflected in the consolidated statement of financial position approximate fair value because of the relatively short-term maturities.

Foreign currency risk

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

Credit risk

Credit risk is the risk of financial loss to the Company is a customer or counterparty fails to meet its contractual obligations and arises principally from cash and receivables.

Cash

Cash consists of cash held in financial institutions from which management believes the risk of loss to be remote.

REPLENISH NUTRIENTS LTD.

Notes to the Condensed Interim Consolidated Financial Statements

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17. FINANCIAL RISK MANAGEMENT (continued)

Receivables

Management does not believe the Company has significant concentration of credit risk. All of the receivables from contracts with customers, totaling \$1,354,010 (December 31, 2020 - \$1,635,876). There is no history of losses from receivables and there are no overdue receivables as at March 31, 2021 and 2020.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to liquidity risk primarily through its accounts payable and accrued liabilities. All of the Company's accounts payable and accrued liabilities have a contractual maturity of less than one year. As at March 31, 2021 and December 31, 2020, the Company had a working capital deficit. The Company expects to complete future equity or other debt financings, as required and available. However, there is no assurance that funds will be available on terms acceptable to the Company at all.

18. SEGMENT INFORMATION

Operating segments are components of the Company where separated financial information is available that is evaluated and determined regularly by management. As of March 31, 2021 the Company has only one reportable segments, being fertilizer sales, involved the production of compost-based fertilizers for sale to agricultural farmers.

19. COMMITMENTS AND CONTINGENCIES

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any ending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

20. SUBSEQUENT EVENTS

On May 1, 2021, the Company closed its sale of 100% of the issued and outstanding shares of Replenish Nutrients Ltd., to EarthRenew Inc, a publicly traded company located in Calgary, Alberta.