EARTHRENEW INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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.

EARTHRENEW INC.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars- Unaudited)

	Notes	September 30, 2019	December 31, 2018
ASSETS			
Current assets:			
Cash		$ 74,699	$ 885,873
Amounts receivable		67,614	89,608
Digital assets	3	6,102	4,117
Prepaid expenses		56,454	33,210
Total current assets		204,869	1,012,808
Non-current assets:			
Property, plant and equipment	4	4,772,358	4,212,037
Intangible assets		23,550	23,550
TOTAL ASSETS		**$ 5,000,777**	**$ 5,248,395**
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 817,273	$ 711,597
Current portion of lease liabilities	5	846,669	-
Loans from related parties		-	54,479
Total current liabilites		1,663,942	766,076
Non-current liabilities:			
Long-term portion of lease liabilities	5	78,261	-
Total liabilities		1,742,203	766,076
Equity			
Share capital	7b	10,631,745	9,511,745
Shares to be issued	7b	-	1,120,000
Share-based payments reserve	7c	860,840	829,500
Deficit		(8,234,011)	(6,978,926)
Total equity		3,258,574	4,482,319
TOTAL LIABILITIES AND EQUITY		**$ 5,000,777**	**$ 5,248,395**

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Approved on behalf of the Board of Directors on November 22, 2019.

"Keith Driver"
Director

"Catherine Stretch"
Director

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

EARTHRENEW INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars- Unaudited)

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues					
Electricity sales		47,153	-	47,153	-
Cost of goods sold		(35,026)	-	(35,026)	-
Gross profit		**12,127**	**-**	**12,127**	**-**
Expenses					
Professional, consulting and management fees		$ 160,373	$ 204,674	$ 504,105	$ 540,589
Share-based payments	7c	39,990	-	39,990	-
General and administrative expenses		33,322	24,326	138,873	110,659
Shareholder communication and filing fees		14,729	-	95,175	-
Utilities and maintenance		5,588	5,677	159,137	51,300
Travel and accomodation		-	1,888	6,070	13,277
Amortization		178,409	3,842	485,227	6,404
Other (gains)/losses		130	-	(2,870)	-
Total expenses before other items		432,541	240,407	1,425,707	722,229
Other items					
Accretion of lease obligation	5	183,852	-	540,743	-
Income from digital currency mining	3	-	5,953	19,846	14,916
Revaluation of digital currency	3	6,707	339	2,745	(1,126)
Other income/(expenses)		(2,884)	17,550	(8,338)	17,550
Net loss and comprehensive loss		**$ (232,739)**	**$ (216,565)**	**$ (858,584)**	**$ (690,889)**
Net loss per share- basic and diluted		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding: Basic and diluted		86,909,292	55,000,000	86,909,292	55,000,000

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

EARTHRENEW INC.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars- Unaudited)

	Note	Share capital		Share-based payments reserve	Deficit	Total equity/ (deficiency)
		No.	$	$	$	$
Balance, December 31, 2017		55,000,000	3,611,701	692,000	(2,462,331)	1,841,369
Loss for the period		-	-	-	(690,889)	(690,889)
Balance, September 30, 2018		**55,000,000**	**3,611,701**	**692,000**	**(3,153,220)**	**1,150,480**
Balance, December 31, 2018		86,909,292	10,631,745	829,500	(6,978,926)	4,482,319
IFRS 16 adjustment- modified approach	2c,5	-	-	-	(405,151)	(405,151)
Stock options granted	7c	-	-	39,990	-	39,990
Stock options expired	7c	-	-	(8,650)	8,650	-
Loss for the period		-	-	-	(858,584)	(858,584)
Balance, September 30, 2019		**86,909,292**	**10,631,745**	**860,840**	**(8,234,011)**	**3,258,574**

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

EARTHRENEW INC.

Condensed Interim Consolidated Statements of Cash Flow
(Expressed in Canadian dollars- Unaudited)

	Note	Nine months ended September 30, 2019	2018
Cash provided by (used in)			
Operating activities:			
Net loss		$ (858,584)	$ (690,889)
Items not involving cash:			
Amortization		485,227	6,404
Share-based compensation	7c	39,990	-
Interest on leases		9,474	-
Accretion of lease obligation	5	(540,743)	-
Working capital adjustments:			
Change in amounts receivable		21,994	(675)
Change in digital assets		(1,985)	(3,990)
Change in prepaid expenses		(23,244)	(28,960)
Change in accounts payable and accrued liabilities		105,676	351,982
Net cash (used in) operating activities		**(762,195)**	**(366,128)**
Investing activities:			
Purchase of capital assets		-	(61,479)
Proceeds on sale of capital assets		55,000	-
Net cash provided by/(used in) investing activities		**55,000**	**(61,479)**
Financing activities:			
Lease payments		(49,500)	-
Loans received		-	43,858
Loan repayment	6	(54,479)	(341,000)
Net cash (used in) financing activities		**(103,979)**	**(297,142)**
Change in cash		(811,174)	(724,749)
Cash, beginning of the period		885,873	724,886
Cash, end of the period		**$ 74,699**	**$ 137**

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

1. NATURE OF OPERATIONS

EarthRenew Inc. (the "Company" or "EarthRenew") was incorporated in the province of Ontario and is a low-cost sustainable power generation company with a patented production process that converts livestock waste to nutrient-rich, slow-release pelleted organic fertilizer. EarthRenew converts natural gas to electricity from an industrial-sized gas turbine, which it intends to capitalize on through various revenue drivers. These include selling surplus electricity to the electrical grid or to cryptocurrency miners, which can co-locate on site, and dry manure feedstock to produce high-value organic fertilizer. The Company has a full-scale commercial facility located on a 25,000-head cattle feedlot in Strathmore, Alberta.

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 September 30, 2019, the Company has a working capital deficiency of $1,459,073 (December 31, 2018 – working capital surplus of $246,732), and an accumulated deficit of $8,234,011 (December 31, 2018 - $6,978,926). 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 equity financing to continue operations, and its ability to attain profitable operations. EarthRenew 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.

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, 2018 were consistently applied to all the periods presented unless otherwise noted below.

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. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 22, 2019.

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, 2018.

2. BASIS OF PRESENTATION (continued)

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, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 16 – Leases ('IFRS 16") replaces IAS 17, Leases ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. The Company has applied IFRS 16 on January 1, 2019 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. Upon adoption, the Company has elected to apply the available exemptions for short-term leases and leases of low-value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of the initial application would be accounted for in the same way as short-term leases.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The Company has included the estimated extension of their leases in the lease term in assessing the present value of future lease payments. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of use assets are depreciated in accordance with the Company's accounting policy for property, plant and equipment.

On January 1, 2019, the Company recognized right-of-use assets of $1,100,548, net of accumulated depreciation, total lease liabilities of $1,505,699 and an adjustment to retained earnings of $405,151.

Standards and amendments to be adopted:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

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. 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 areas of estimation and uncertainties considered by management in preparing the consolidated financial statements include:

Critical judgment in applying accounting policies:

- 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 in the case of assets 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

  Refer to Note 10.

Key sources of estimation uncertainty:

- Depreciation rates

  All plant and equipment are depreciated on a straight-line basis over three to five years, which the Company believes is the best approximation of the asset utility to the Company. If the estimated life had been longer by than management's estimate, the carrying amount of the asset would have been higher.

2. BASIS OF PRESENTATION (continued)

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

Key sources of estimation uncertainty (continued):

- Accounting for Digital Assets
  At present, there is limited guidance in IFRS on the recognition and measurement of digital assets. Noted below are the key policies used to account for these assets.

  Fair Value of Digital Assets
  Digital assets are measured at their fair value using the quoted price on https://ca.finance.yahoo.com/quote/BTC-CAD. Management considers this fair value to be a Level 2 input under IFRS 13- Fair Value Measurement fair value hierarchy. The Digital Assets are valued based on the closing price at the reporting period corresponding to the different Digital Assets mined by the Company. The Company is relying on the data available to be an accurate representation of the closing price for the different Digital Assets.

- Useful life of mining equipment
  Management is amortizing mining equipment over four years on a straight-line basis. The mining equipment is used to generate digital assets. The rate at which the Company generates digital currencies and, therefore, consumes the economic benefits of its mining equipment are influenced by a number of factors including the following: the complexity of the mining process, which is driven by the algorithms contained within the digital assets open source software; and the general availability of appropriate computer processing capacity on a global basis, technological obsolescence reflecting rapid development in the mining machines such that more recently developed hardware is more economically efficient to run in terms of digital assets mined as a function of operating costs, primarily power costs (i.e., the speed of mining machines evolution in the industry). Later-model mining machine models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

  Based on the Company's and the industry's short life cycle to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital assets and the assumptions included in such forecasts, including digital currencies' (such as Bitcoin and Ethereum) price and network difficulty, are derived from management's assumptions which are inherently judgmental. Based on current data available management has determined that the straight-line method of amortization over four years best reflects the current expected useful life of mining equipment. Management will review this estimate at each reporting date and will revise such estimates as and when data becomes available. The mining equipment has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

  As set out in Note 4, management will also assess whether there are any indicators of impairment of mining equipment at the end of each reporting period and if any such indication exists, the Company will estimate the recoverable amount of its mining equipment.

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

2. BASIS OF PRESENTATION (continued)

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

- 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.

f) Functional and presentation currency

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

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. DIGITAL ASSETS

Digital assets consist of Bitcoins. Below is a continuity schedule of digital assets mined, acquired through purchase, settled and revalued during the nine months ended September 30, 2019 and year ended December 31, 2018.

	Bitcoins	
	Units	**Value**
Opening Balance, January 1, 2018	-	$ -
Mined additions	2.31164	19,750
Sold	(1.5348)	(13,300)
Unrealized loss in fair value through profit and loss	-	(2,333)
Ending balance, December 31, 2018	**0.77684**	**$ 4,117**
Mined additions	2.16309	19,846
Sold	(2.3844)	(11,377)
Unrealized loss in fair value through profit and loss	-	(6,484)
Ending balance, September 30, 2019	**0.55556**	**$ 6,102**

(Expressed in Canadian dollars- Unaudited)

4. PLANT AND EQUIPMENT

A reconciliation of the carrying amount for the nine months ended September 30, 2019 and year ended December 31, 2018 is as follows**:**

	Equipment	Buildings	Plant	Right-of-use assets	Total
Cost as at December 31, 2017	**$ -**	**$ 642,185**	**$ 3,533,620**	**$ -**	**$ 4,175,805**
Acquisition	61,479	-	-	-	61,479
Disposals	-	-	(15,000)	-	(15,000)
Cost as at December 31 2018	**$ 61,479**	**$ 642,185**	**$ 3,518,620**	**$ -**	**$ 4,222,284**
Adoption of IFRS 16, modified approach	-	-	-	7,093,459	7,093,459
Disposals	-	-	(55,000)	-	(55,000)
Cost as at September 30, 2019	**$ 61,479**	**$ 642,185**	**$ 3,463,620**	**$ 7,093,459**	**$ 11,260,743**
Accumulated Depreciation					
Balance at December 31, 2017 and 2018	**$ 10,246**	**$ -**	**$ -**	**$ -**	**$ 10,246**
Adoption of IFRS 16, modified approach	**-**	**-**	**-**	5,992,912	5,992,912
Charge for period	11,527	-	25,000	448,699	485,227
Balance at June 30, 2019	**$ 21,773**	**$ -**	**$ 25,000**	**$ 6,441,611**	**$ 6,488,385**
Net book value as at December 31, 2018	**$ 51,233**	**$ 642,185**	**$ 3,518,620**	**$ -**	**$ 4,212,037**
Net book value as at September 30, 2019	**$ 39,706**	**$ 642,185**	**$ 3,438,620**	**$ 651,848**	**$ 4,772,358**

The recorded value of the plant and equipment reflects the distressed value of the assets when they were purchased out of bankruptcy, less adjustments for specific equipment subsequently disposed at the estimated carrying value.

Upon the adoption of IFRS 16, the Company recognized a cost of $7,093,549 for right-of-use assets. The Company used the modified retrospective approach, measuring the cost of right-of-use assets on transition at the amount equal to the lease liabilities at transition. Accumulated depreciation on the right-of-use assets at transition was $5,992,912. The right-of-use assets are depreciated over the term of the lease, including the estimated extension of the lease terms.

5. LEASE LIABILITIES

Upon the adoption of IFRS 16, operating leases were reassessed as lease liabilities for right-of-use assets using an estimated discount rate of 8%. The following table reflects the lease activity for the nine months ended September 30, 2019:

Balance, December 31, 2018	**$ -**
Adoption of IFRS 16	1,505,699
Lease payments for the period	(40,026)
Accretion of lease obligation	(540,743)
Balance, September 30, 2019	**$ 924,930**
Current portion	846,669
Long-term portion	78,261
	$ 924,930

(Expressed in Canadian dollars- Unaudited)

5. LEASE LIABILITIES (continued)

Interest expense recognized with respect to these leases was $9,474 for the nine months ended September 30, 2019. As the Company used the modified retrospective approach in adopting this standard, there is no comparative figure.

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

Loans Payable

During fiscal 2018, a director of the Company made an advance of $53,000 to the Company. The advance was unsecured, due on demand and bore interest at 5%. Interest expense of $1,479 was incurred and payment in full of $54,593 (December 31, 2018 - $54,479) was made on January 17, 2019.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2019 and 2018 were as follows:

	Nine months ended September 30,	
	2019	**2018**
Management fees	$ 198,000	$ 180,000
Share-based payments	30,960	-

At September 30, 2019, the Company had $253,582 (December 31, 2018 - $183,902) owing to its key management. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment or “due on demand”.

7. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares, without par value

b) Issued and outstanding common shares

	Number of Shares \#	Amount $
Balance, December 31, 2017	**55,000,000**	**3,611,701**
Private placement	5,090,910	1,120,000
Shares issued for debt settlement	6,998,735	1,539,722
Acquisition of Valencia Ventures	19,819,647	4,360,322
Balance, December 31, 2018 and June 30, 2019	**86,909,292**	**10,631,745**

On December 21, 2018, the Company issued 6,998,735 common shares to settle $1,539,722 of debt. A company owned by an officer of the Company was issued 1,636,363 common shares to settle $360,000 of debt. Aberdeen International Inc. was issued 508,491 common shares to settle $111,868 of debt. An officer of the Company is also an officer of Aberdeen International Inc.

On December 21, 2018, the Company issued 19,819,647 common shares related to the reverse takeover acquisition of Valencia Ventures Inc.

(Expressed in Canadian dollars- Unaudited)

7. SHARE CAPITAL (continued)

b) Issued and outstanding common shares (continued)

On January 9, 2019, the Company closed a private placement for $1,120,000 by issuing 5,090,910 common shares at $0.22. As at December 31, 2018, these common shares were determined to be shares to be issued and recorded in equity. Routemaster Capital Inc. subscribed for 500,000 common shares and Aberdeen International Inc. subscribed for 1,000,000 common shares of this private placement. An officer of the Company is also an officer of Routemaster Capital Inc. and Aberdeen International Inc.

c) Share-based payments reserve

Stock options

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

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

The consolidated number of stock options outstanding as at September 30, 2019 is as follows:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
3,950,000	3,950,000	18-Jul-17	19-Jul-21	$ 0.25	$ 683,350	100%	4.00	0%	1.48%
1,250,000	1,250,000	22-Aug-17	22-Aug-22	$ 0.14	$ 137,500	202%	5.00	0%	1.53%
1,550,000	1,550,000	8-Jul-19	8-Jul-24	$ 0.10	$ 39,990	105%	5.00	0%	1.57%
6,750,000	**6,750,000**				**$ 860,840**				

The weighted average remaining life of the outstanding options at September 30, 2019 is 2.69 years (September 30, 2018: 3.90 years). During the nine months ended September 30, 2019, 50,000 options expired in accordance with the Plan and $8,650 was recorded against deficit (nine months ended September 30, 2018: 56,250 options expired valued at $31,500).

On July 8, 2019, the Company granted 1,550,000 stock options to certain directors, officers and consultants of the Company pursuant to the Company's stock option plan. The stock options vest immediately and may be exercised at a price of $0.10 per common share for a period of 5 years from the date of issue.

8. CAPITAL MANAGEMENT

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

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

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. There were no changes to the approach of management and the board of directors to capital management for the nine months ended September 30, 2019. The Company is not subject to externally imposed capital requirements.

9. 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), fair value risk, credit risk, liquidity risk and capital 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.

As at September 30, 2019 and 2018, the Company's digital assets, classified as assets at fair value through profit and loss, have been classified as Level 2 financial instruments.

The carrying value of cash, receivables, and accounts payable and accrued liabilities and loans from related parties 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
The Company's credit risk is primarily attributable to cash and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash held in financial institutions from which management believes the risk of loss to be remote.

Liquidity risk
As at September 30, 2019 the Company had negative net working capital and at December 31, 2018, the Company had limited net working capital. 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.

10. COMMITMENTS AND CONTINGENCIES

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

A former consultant of the Company has initiated a legal action seeking approximately $51,400 for fees owed and damages, plus interest. The Company is currently defending the matter. The Company has not accrued any liability for this matter.

The Company is party to certain management contracts. Minimum commitments remaining under these contracts were approximately $60,000, all due within one year.

11. SUBSEQUENT EVENTS

On October 1, 2019, the Company entered into a power purchase agreement (“PPA”) with BTF Blockchain Inc. for up to 3.0 MW of power at its Strathmore, Alberta facility. The pricing for the PPA sets a floor price and then floats with the market price, allowing EarthRenew to fully capitalize its revenue potential.

On October 25, 2019, the Company granted a total of 1,825,000 stock options to certain officers, directors and consultants pursuant to the Company’s stock option plan. The stock options vest immediately and may be exercised at a price of $0.06 per option for a period of five years from the date of grant.